BUSINESS WEEK

June 10, 1961

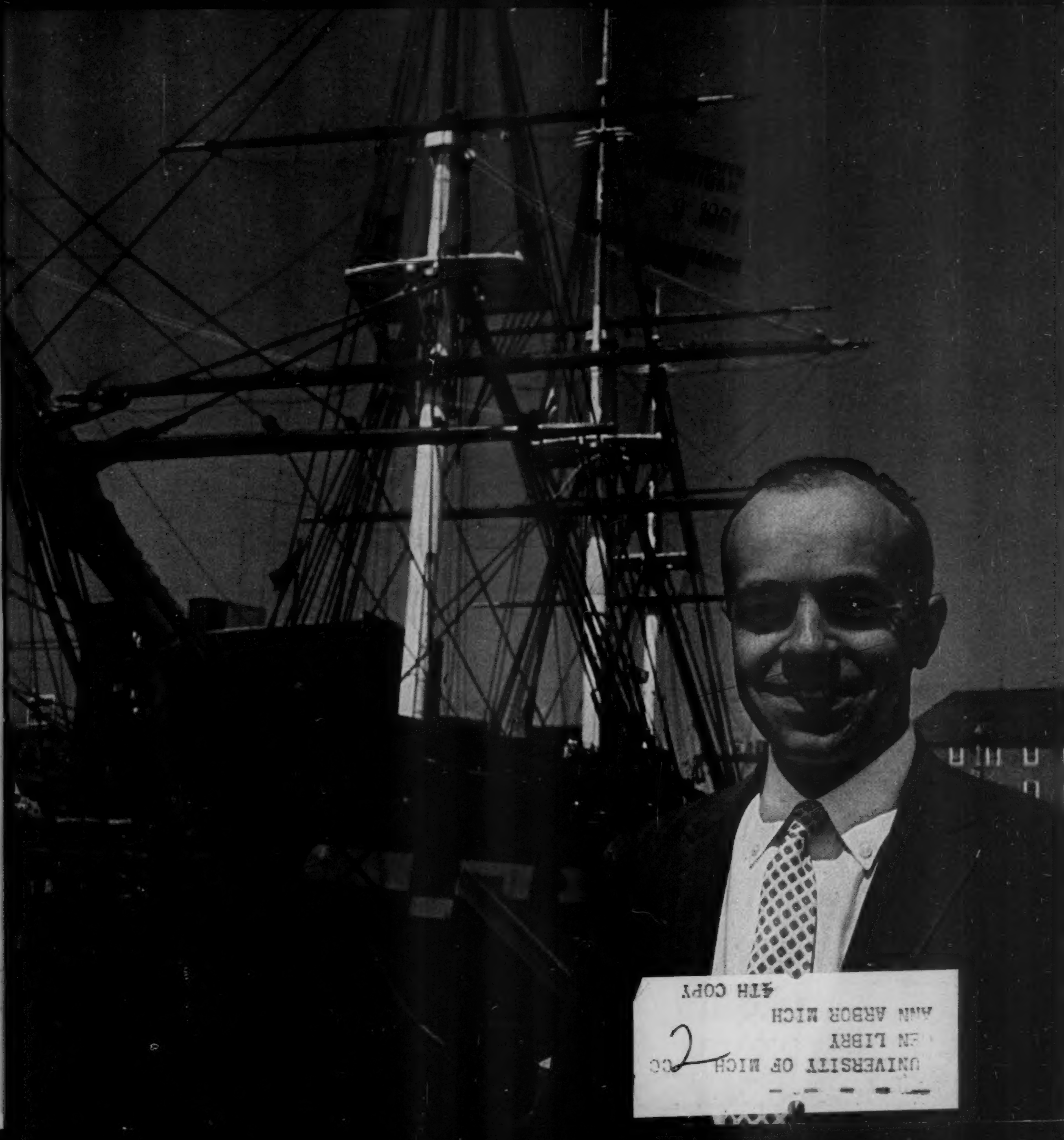
Fifty cents

A McGraw-Hill Publication

Why airlines are going supersonic

Page 46

Below: Cabot Corp. seemed as tightly moored as Old Ironsides, but Louis W. Cabot is putting the carbon black maker on a new tack [Page 88]



In BUSINESS this WEEK

June 10, 1961

BW

General business

The departments

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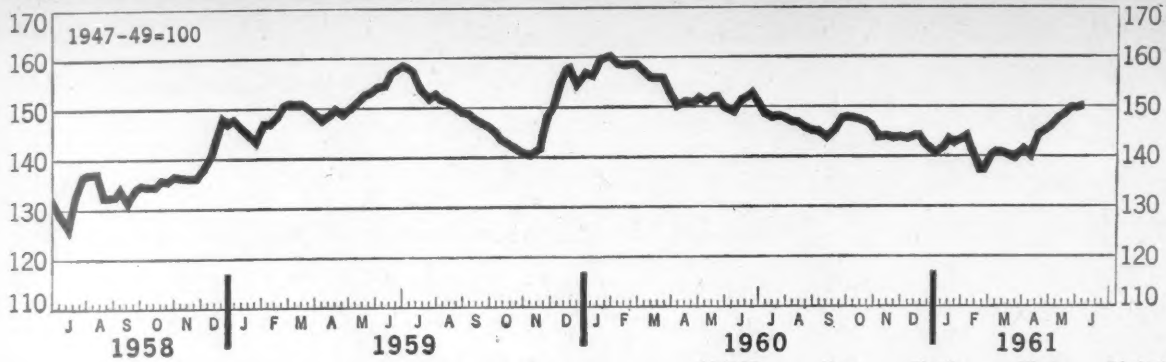
Number 1658

Figures of the week



	1953-55 average	Year ago	Month ago	Week ago	§ Latest Week
BUSINESS WEEK index chart	133.3	150.0	148.1	150.4r	151.1*
Production					
Steel ingot [thous. of tons]	2,032	1,726	1,943	2,077r	2,052
Automobiles	125,553	115,068	124,454	129,142r	85,077
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]	$52,412	$87,703	$82,958	$76,968	$81,419
Electric power [millions of kilowatt-hours]	10,819	13,503	14,206	14,390	13,887
Crude oil and condensate [daily av., thous. of bbl.]	6,536	6,781	7,139	7,054	7,060
Bituminous coal [daily av., thous. of tons]	1,455	1,429	1,226	1,303r	1,330
Paperboard [tons]	247,488	289,565	325,861	331,806	300,899
Trade					
Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars]	70	60	55	56	56
Carloadings: all others [daily av., thous. of cars]	47	47	35	39	41
Department store sales index [1947-49=100, not seasonally adjusted]	121	139	146	146	137
Business failures [Dun & Bradstreet, number]	198	274	399	368	258
Prices					
Industrial raw materials, daily index [BLS, 1947-49=100]	89.2	92.4	93.6	92.1	91.8
Foodstuffs, daily index [BLS, 1947-49=100]	90.5	77.1	78.3	76.5	76.8
Print cloth [spot and nearby, yd.]	19.8¢	21.1¢	17.5¢	17.5¢	17.5¢
Finished steel, index [BLS, 1947-49=100]	143.9	186.6	186.1	186.1	186.0
Scrap steel composite [Iron Age, ton]	$36.10	$31.50	$36.50	$36.83	$37.83
Copper [electrolytic, delivered price, E&MJ, lb.]	32.394¢	33.000¢	30.000¢	31.031¢	31.000¢
Aluminum, primary pig [U. S. del., E&MJ, lb.]	20.6¢	26.0¢	26.0¢	26.0¢	26.0¢
Aluminum, secondary alloy #380, 1% zinc [U. S. del., E&MJ, lb.]	††	24.36¢	21.93¢	21.82¢	21.92¢
Wheat [No. 2, hard and dark hard winter, Kansas City bu.]	$2.34	$1.96	$1.97	$1.94	$1.91
Cotton, daily price [middling, 1 in., 14 designated markets, lb.]	34.57¢	32.20¢	31.68¢	31.94¢	32.07¢
Wool tops [Boston, lb.]	$1.96	$1.67	$1.75	$1.75	$1.75
Finance					
500 stocks composite, price index [S&P's, 1941-43=10]	31.64	56.91	66.45	66.33	66.78
Medium grade corporate bond yield [Baa issue, Moody's]	3.59%	5.25%	5.01%	5.01%	5.01%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate]	2-2⅛%	4¼%	2¾%	2¾%	2⅞%
Banking Millions of dollars					
Demand deposits adjusted, reporting member banks	††	58,811	62,250	61,876	62,054
Total loans and investments, reporting member banks	††	104,248	111,606	111,927	112,090
Commercial, industrial and agricultural loans, reporting member banks	††	32,329	33,089	32,783	32,611
U. S. gov't guaranteed obligations held, reporting member banks	††	26,117	30,590	31,188	31,397
Total federal reserve credit outstanding	26,424	27,427	27,868	28,070	27,904
Gold stock	21,879	19,352	17,389	17,403	17,403

Monthly figures of the week

		1953-55 average	Year ago	Month ago	Latest Month
Consumer credit outstanding [in billions]	April	$34.1	$52.4	$53.9	$54.0
Installment credit outstanding [in billions]	April	$24.2	$40.7	$42.1	$42.0
Wholesalers' inventories [seasonally adjusted, in billions]	April	$10.6	$12.9	$13.3	$13.3
Retailers' inventories [seasonally adjusted, in billions]	April	$21.4	$25.0	$24.4	$24.4
Exports [in millions]	April	$1,290	$1,818	$1,934	$1,706
Imports [in millions]	April	$902	$1,261	$1,231	$1,042
Domestic air cargo [express and freight, mil. of ton miles, A.T.A.]	March	22.5	40.2	32.5	44.2

* Preliminary, week ended June 3, 1961.
†† Not available. Series revised.

r Revised.
§ Date for 'Latest Week' on each series on request.

THE PICTURES—Cover—George Woodruff; 25, 26, WW; 28, 29, Tibor Hirsch; 30, (left, middle) WW, (right) Gene Pyle; 33, Herb Kratovil; 38, Lancey, Ehlinger & Moore, Inc.; 46, 47, 48, 52, Ed Malsberg; 55, Shel Hershorn; 60, 61, Shel Hershorn; 78, (top) WW, (middle) UPI, (bottom) WW; 89, George Woodruff; 100, WW; 121, American Oil Co.

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READERS REPORT

Required courses

Dear Sir:

We were most interested in the comments having to do with high schools under the Personal Business section (BW—May20'61, p153). There seems very little doubt that a senior course in the problems of American government is an excellent idea, but this is the sort of thing that should be required of all students, not just the top 15% or 20%.

Further, our high school seniors should be exposed to a basic course in the principles of economics and the problems of American industry, as a prerequisite to understanding many of the interrelated problems of politics and economics that are of such great concern to our nation today.

William Carpenter
Pittsburgh Plate Glass Co.
Pittsburgh, Pa.

More rooms at the inn

Dear Sir:

I read with amazement your reference to Birmingham's "12-room hotel at the . . . airport" (BW—May27'61,p154). In fact, this is over a $1-million, 120-unit motel now under construction in Birmingham's $5-million airport expansion program. Our haste to make this correction is given impetus by our pride in Birmingham's municipal airport, which has the longest jet runways in the South and, incidentally, is weathered in less than any other airport in the nation with the exception of Miami.

John E. Bryan
Birmingham Chamber of Commerce
Birmingham, Ala.

▪ *We regret that a typographical error shrank Birmingham's new airport lodgings so drastically.*

Steel salesmanship

Dear Sir:

Congratulations on your article "A New Pattern for Selling Steel" (BW—May20'61,p47).

From my experience you certainly have quoted the expert in the country on "selling in depth."

William S. Harms
Caine Steel Co.
Chicago, Ill.

Business outlook

BW

June 10, 1961

1961 auto sales finally take on a sturdier look

Sales patterns in the auto industry are beginning to look a little bit more like 1956, 1957, and 1959—and less like 1958.

To have ventured such a comment two months ago would have sounded more than a little silly. For 1956, 1957, and 1959 all were 6-million-car years (give or take 50,000).

Well into the spring, 1961 still didn't look even like a 5½-million-car year, much less one that might push 6-million. But it could be.

It looks as though April registrations ran about 530,000, or some 50,000 better than the month before. And the industry's own estimate of May sales, if confirmed by the final count, would better April by 40,000.

On the way up from the last recession, autos not only wouldn't sell but hardly could be given away: Registrations in the early summer of 1958—theoretically the year's flush sales period—dawdled along at just over 400,000 a month for a second-quarter total of barely 1¼-million.

This year, the improvement that set in after the end of the first quarter has proved something more than just a gleam in the industry's eye. Anything short of 1.6-million registrations for the second quarter would, in fact, come as a disappointment.

Maybe it's too much to hope for 1½-million for the third quarter, but such a showing would push the nine months to 4,350,000. Then, to carry the fancy a bit further, figure a fourth quarter like 1956's 1,570,000, and the industry would, indeed, be not too far from the 6-million level.

Junk heaps claim about 4½-million cars each year

People in the auto business doubtless would settle happily this year for registrations a little under 6-million.

Yet such a figure isn't anything to gladden an industry that could turn out 7½-million cars a year without half trying—and doubtless could go between 9-million and 10-million with only a very little strain.

Moreover, **a goal of something over 6-million, year in and year out, is quite plausible.** With more than 60-million cars on the road (government figures show 61½-million registered as this year began), normal scrappage can hardly average less than 4½-million to 5-million a year.

Buyers of cars improve credit

Auto dealers have at least one thing running for them as they strive to turn 1961 into a creditable auto year after all:

The consumer has been acting very conservatively; he has been much more inclined to save than to borrow-and-buy. This is particularly the case with installment credit for the purchase of automobiles.

Repayments have exceeded new loans in each of the last seven months.

It is not uncommon, of course, for auto debt to be reduced during the winter. **But a pay-down for seven consecutive months is uncommon.** And the dollar reduction—from just over \$18-billion last September to \$17.2-billion at the end of April—is a pretty healthy one.

Many experts doubtlessly will contend that, even with a resumption of more normal consumer borrowing, there is no bonanza in this for autos.

Theirs' is the argument that, increasingly, other things are bidding dollars away from automobiles—that the leisure industries and service trades (as

well as other durable goods) will take the lion's share. Such expenditures usually aren't financed on time payments even though they may involve going into debt or deferring such things as car buying.

Nevertheless, there's some room for autos, too. You'll note, for example, that only 55% of the new cars sold in April were financed; much of the time the ratio runs more like 65% to 70%.

Truck producers see year's sales near 1960 mark

Truck manufacturers are raising their sights for 1961; **it now looks as though output would hit 1.1-million, or about 8% below 1960.**

That means making up a lot of lost ground. **Not only was 1960 a big truck year (1.2-million units, ranking second only to 1955) but output was particularly high early in the year** to cancel the steel strike's effects. Thus the shortfall for 1961 to date is about 25%.

There seems little doubt now that later months will make a much better comparison. There has been a good pickup in demand in construction and farming, while Detroit's new compact trucks are causing some stir.

Domestic sales of new trucks this year stand a good chance of equaling 1960's 943,485—which was a close second to 1955's 957,000.

Some of those registrations will be imports, just how many depending to a degree on the success of Detroit's compacts. Last year, imports amounted to 37,000 of the registrations (of which Volkswagen supplied 31,000) and took over 8% of this country's light-truck market.

One place where 1961 falls down, relatively speaking, is in exports.

Last year, one out of each five trucks built was for export. Sales abroad reached a new record just over 215,000 units. Exports so far in 1961 are 25% below last year.

Inventory buying starts but fails to boost stocks

Manufacturers of durable goods—whose upturn in new orders has provided the solid base for business recovery—will be among the slowest to show an actual rise in inventories.

And that isn't so strange as it may sound; figure how it works.

The flow of new orders has risen to a very respectable level. This, in turn, has started deliveries of goods to customers rising. But some of these deliveries come from finished goods already in the warehouse.

At the same time, **it is difficult to increase the inflow of purchased materials and parts any faster than output is rising (if as fast).**

Thus it is perfectly plain that there is "more buying for inventory" even though stocks may not be rising. And it's a business booster.

"Inventory adjustment" has been very largely confined to the area of durable goods production (and the fact that it didn't become necessary in other sectors is one reason the recession was no deeper or longer).

In the space of just a little less than a year, the value of durable goods manufacturers' inventories were cut by $1.7-billion to a total of just over $30.6-billion, the Commerce Dept. estimates. If past timing is any guide, the decline might continue another three or four months and a further $200-million to $300-million cut in stocks might result.

Without any allowance for price changes, that would take the dollar totals below their level in late 1956. Nevertheless, **they still would be a little higher than just before the 1959 steel strike.**

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BUSINESS WEEK

What Vienna revealed

Khrushchev made his intentions clear to Kennedy—no letup in Communist cold war pressure, except possibly in Laos

However, Kennedy sees value in listening to Khrushchev and warning him against miscalculation. He'll keep in closer touch

The trip gave Kennedy a chance to mend fences in Europe, to retrieve prestige lost in the Cuban adventure

Pres. Kennedy returned from his summit talks in Vienna, Paris, and London with a considerably sharper focus on world affairs than he had a few weeks ago.

The big change has come in Kennedy's perspective on the issues dividing East and West and in his plans for dealing with them. After his two-day session with Soviet Premier Khrushchev (picture), he realizes that these issues are almost insoluble, that the best way to avoid dangerous showdowns is to keep his diplomatic channels open to Moscow. Assuming Khrushchev doesn't follow Vienna with new aggressive moves, Kennedy will consider periodic meetings with him, as a useful way to probe the Soviet leader's thinking and also as a valuable escape valve in a world that will inevitably remain under high tension.

Other values. From Vienna, and from his discussions with Pres. de Gaulle and Prime Minister Macmillan, Kennedy also gained a new awareness of the importance of strengthening the Atlantic Alliance. He is considering regular Western summit sessions that would include Chancellor Adenauer as well as de Gaulle and Macmillan.

Kennedy's top foreign policy advisers feel that his performance in Europe has restored his standing as leader of the West, making up for his blunder in Cuba.

Some U.S. officials think Vienna

In London. Kennedy posted Prime Minister Macmillan on Vienna, Paris talks.

may mark the beginning of a lull in the cold war. These officials figure Khrushchev may want to keep things relatively quiet until after the big Communist Party conference scheduled for October in Moscow.

The Soviet attitude in the Geneva negotiations over Laos will be the first concrete test of Khrushchev's intentions. At midweek, serious new Communist violations of the cease-fire in Laos raised grave questions in Washington on that score.

Stern stand. At Vienna Khrushchev did moderate the earlier Soviet insistence that a cease-fire was in effect and that there was no need for Moscow to send new instructions to the international control commission. He conceded that it was possible the cease-fire was not being strictly observed and that some strengthening of the control commission's authority might be in order.

However, this was the one concession, if it proves to be such, that Khrushchev made to Kennedy during their talks. For the rest, Vienna was a pretty sobering affair. On the three great issues dividing East and West—disarmament, Berlin, and Communist-supported "wars of liberation"—Khrushchev left no room for compromises.

Disarmament. Arms control agreements with Moscow can now be regarded as a pipedream. Khrushchev flatly refused to budge from the Soviet position taken at the nuclear test-ban talks. He insisted that he would never agree to any inspection system that wasn't under the control of a "troika" consisting of one representative from the West, one from the Communist camp, and one from the neutrals—each with a veto.

Kennedy argued that this ruled out any test-ban agreement and any chance of an agreed arms control system. But Khrushchev stuck to his line that there are "no neutral men" and that the Soviet Union would never submit its basic interests to a ruling of a body over which it did not exercise veto control.

This sounds the death knell of the test-ban talks, although Kennedy has not yet decided how and when to end them. As for the general disarmament negotiations that were slated to start in August, Kennedy probably will decide to go through at least one round, assuming the procedural details can be worked out. The idea would be to put the onus for failure on Khrushchev.

Stirring up trouble. Communist support for "wars of liberation" will continue. In a major pronouncement last January, Khrushchev declared such wars to be "just" and part of the inevitable progress of the world toward Communism. When Kennedy challenged this thesis and pointed to the danger that Soviet military aid in civil wars around the world might lead to U.S. intervention and the danger of major wars, Khrushchev didn't seem much concerned. Kennedy and his advisers concluded that the chances of reciprocal disengagement from trouble spots around the periphery of the Communist world are dim indeed. There doesn't seem much chance of keeping the cold war out of Africa and Latin America.

Berlin. On the explosive Berlin situation, Khrushchev showed no give, either. He stuck to his well-known demands for a "free city," the end of the four-power occupation, the conclusion of separate peace treaties with the two Germanies. But U.S. officials came away with the impression that he was not yet totally committed to signing a separate peace treaty with East Germany in the near future and that, in any event, he was anxious for more negotiation with the West before doing so.

Kennedy indicated that he was primarily interested in the hard practical question of preserving Western rights of access to Berlin and that the U.S. was prepared to fight for these rights. Kennedy and de Gaulle had agreed on this point.

Khrushchev dropped one hint that he would like a peace conference on Germany in the fall after his party congress in Moscow. He would want all countries that fought against Hitler to take part. The implication, of course, is that, if the West refused, the Communist bloc would hold its own conference and go ahead with a separate peace treaty.

Frank warning. In the midst of the discussions of the three big issues, Kennedy twice brought up the question of miscalculation, reminding the Soviet Premier that it would be criminal if war broke out because one side miscalculated the other's intention. Khrushchev agreed, cited some historic examples, and then quipped that he hoped the American President understood that miscalculation cuts both ways.

It was this sort of frank discussion as much as anything else that has made Kennedy eager to keep the dialogue between Washington and Moscow going.

Atlantic community. From his trip as a whole, Kennedy drew another conclusion—that he must strengthen U.S. and NATO defenses and, perhaps even more important, try to speed up the economic and political unification of the Atlantic Community.

On this score, Kennedy is drawing some comfort from his talks with de Gaulle. None of the big problems involved in de Gaulle's ambitions for France were resolved, of course, but Kennedy apparently feels that the hopes of resolving them have improved. Meanwhile, the issues that divide France and the U.S. should not arouse so much irritation as they have in the past.

Kennedy told de Gaulle frankly that it would be politically impossible for him to ask Congress during this session to authorize the same nuclear assistance for France that is being given to Britain. But he did not rule this out for the future.

If the Algerian war could be settled, if the French political situation stabilized, and if France could make an appropriate contribution to strengthening NATO's conventional forces, he indicated, it would become possible to put France on an equal footing with Britain within some sort of pooling of NATO's nuclear capability. This didn't satisfy de Gaulle, but neither did it irritate him.

Kennedy also raised the question of Britain's joining the European Economic Community. He suggested that this would strengthen the Atlantic Alliance. De Gaulle indicated that he would not oppose British accession (page 95).

More meetings. On the issue of closer Allied consultations, Kennedy apparently is ready to give de Gaulle partial satisfaction. U.S. officials feel that, in view of the difficult world situation and the prospect of intermittent Big Two meetings, it is essential to hold more frequent Western summit meetings.

Kentucky Standard's switch

From one oil giant to another

Marketer agrees to end contract with Jersey Standard, as antitrusters permit it to merge with Standard of California. Aim: to spur competition

In an unusual tit-for-tat antitrust action, Standard Oil Co. (Kentucky) this week signed a consent decree that will terminate its contract with one oil giant, Standard Oil Co. (N.J.), and got Justice Dept.'s blessing on a merger with another, Standard Oil Co. of California.

The government's design is to create a new competitive giant in the Southeast, where Kentucky Standard has been a major marketer. "Despite the size of Standard of California," Atty. Gen. Robert F. Kennedy said, "we have agreed to this judgment because we believe it will stimulate competition. Where we have had one giant, in effect selling through Standard of Kentucky, now we will have two—competing against each other."

The antitrust charges, filed Dec. 2, 1958, charged Standard of Kentucky and Jersey's affiliate, the then Esso Standard Oil Co. (now a region under Humble Oil & Refining Co.), with avoiding the meaning of the 1911 Supreme Court decree breaking up the old Standard Oil trust. Specific target of the charges was a contract signed in 1956 under which Kentucky agreed to buy some 80% of its supplies from Esso.

The government also charged that Esso agreed to keep out of Kentucky's market—Kentucky, Mississippi, Georgia, Alabama, and Florida—and that Kentucky Standard would leave the rest of the U. S. open.

Big amounts. The figures involved in the Esso-Kentucky agreement were sizable. According to the government, Kentucky's purchase from Jersey (or, more strictly, from Esso) in 1957 amounted to 718-million gal. of gasoline and 1.6-billion gal. of other refined petroleum products.

The case hadn't yet come to trial. Charges against Jersey Standard are still pending. The government is undecided as to whether to press them; the present judgment gives it about everything it wants, anyway.

On the face of it, it looks as though the government had merely switched Kentucky's affiliation from one offshoot of the old Standard Oil organization to another. Asst. Atty. Gen. Lee Loevinger conceded some grounds for this point of view. "I realize," he commented, "that we're permitting a marriage between Standard of California, which is almost as much of a giant as Jersey, and Standard of Kentucky, which isn't a pigmy in itself. But we had to consider what the over-all effect would be if we won the case and what the effect would be if we accepted the consent decree. On balance, I think the result is favorable. We don't expect to take the country to the brink of Utopia."

Jersey Standard couldn't disagree more that the judgment will increase competition. It pointed out that eventually California will be able to supply all of Kentucky's requirements, whereas the Jersey contract was subject to step-by-step termination at any time by Kentucky. "Thus," Jersey said, "a contract under which competition for this supplier was not foreclosed forever is being supplanted by an arrangement under which it ultimately will be."

"Own system." The clue to Justice's action is in its statement, "It is expected that as a result of the merger Jersey will set up its own marketing system to compete with Kentucky Standard."

The judgment thus rests on the assumption that Humble will enter Kentucky's market. Nevertheless, it is a reasonable assumption. Humble Oil & Refining Co.'s aspirations to be a national marketer are no secret (page 121). The consent decree costs Humble a good customer. But it does clear the air for Humble to move into Kentucky Standard territory.

From Standard of California's point of view, the move seems to leave no doubt that this big concern (1960 sales over $1.9-billion) is definitely thinking in terms of national marketing, too.

Acquisition of Kentucky Standard, though, would have this ironic twist: It puts California in the position of marketing a Standard brand—the name under which Kentucky Standard sells—after California has been working hard to shift to a non-Standard brand, Chevron. In Louisville, the assumption was that the company would hang onto its valuable Standard name, as American Oil Co. and Humble are doing in limited markets. Standard of California says that it has made no firm decision yet, but it doesn't appear that the company would market under the Chevron name everywhere else and hang on to the Standard name indefinitely in a single area.

Expansion. For Kentucky Standard, the merger offers considerable opportunities for expansion. The company has been strictly a marketer. It has no refineries. It markets through more than 9,000 retail stations, is considered the biggest petroleum marketer in the territory. Word this week was that Standard of California would build a refinery to supply its new concern and that Kentucky would expand.

The government wrapped plenty of restrictions around the judgment.

After July 1, 1966—when the contract terms permit termination of the Jersey agreement—the merger companies may not buy any oil products from a Jersey Standard concern for marketing in six other states, as well as Kentucky's original five.

Most significantly, the judgment requires that until July 1, 1976, Kentucky Standard must obtain at least 40% of its requirements from independent refiners in that area, provided they can supply them.

Stockholder vote. The merger has yet to be approved by stockholders of the merging companies.

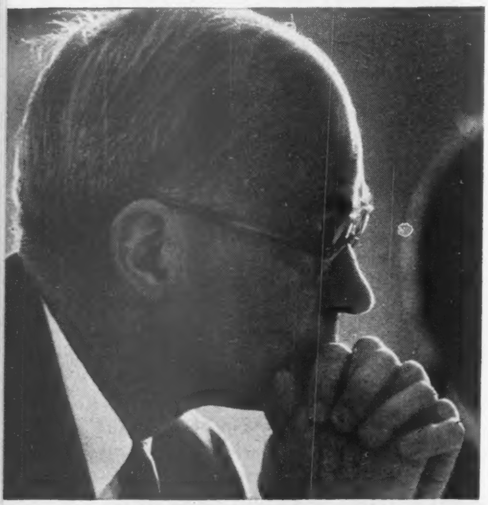
There is speculation in Louisville that some Kentucky stockholders may grumble at the merger terms. The official proposal of the two companies is to issue 2.6-million shares of voting cumulative convertible preferred stock of Standard of California with an annual dividend rate of $3.30 per share. Kentucky stockholders would get one share of the new preferred for each share of Kentucky common. The preferred would then be convertible to one and one-quarter shares of California common.

On open market operations

Don't nudge too far, Fed warns Kennedy

William McC. Martin and other Fed officials tell Congress they must reserve independence of action despite Administration ideas about level of interest rates

Chmn. Martin of Federal Reserve says he'll pass Rep. Patman's ideas along.



Alfred Hayes, of New York, is vice-chairman of Open Market Committee.

Robert G. Rouse testified as manager of the Fed's open market account.

The nation's money managers are cooperating with the Administration in Operation Nudge—the plan to reduce long-term interest rates while holding short-term rates stable. But they make plain that there are limits to their cooperation.

A polite warning was voiced during two days of testimony by Federal Reserve Chmn. William McC. Martin and other officials of the Fed's 12-man Open Market Committee (pictures) before the Joint Economic Committee of Congress last week. The Fed's policymakers have serious reservations about Pres. Kennedy's recent call for a continuing decline in interest rates. They left no doubt that if the economy continues to recover, the present easy-money policy geared to Operation Nudge would be junked.

First opportunity. The extraordinary sessions, called by Rep. Wright Patman (D-Tex.), this year's chairman, ostensibly were to discuss the Fed's 1960 annual report, but they had been billed as a wide-ranging examination of the Fed's policies during the late recession and the gold outflow period.

It was the legislators' first opportunity to question Martin since the change of administration and the Fed's own decision to abandon its "bills only" policy, which Martin himself had long favored.

Axiomatic. "If business rises, interest rates rise; if business remains stable, the rates are stable; if business declines, interest rates decline," Martin said, reciting a central banking axiom. He stressed that he was not forecasting a rise now; he also emphasized the dangers of inflation that would exist in "artificially low rates."

Martin said open market operations could mitigate the expected rise but not reverse it. His testimony on this point was brought out by committee members in seeking his reaction to the following passage from Pres. Kennedy's message to Congress on May 25:

"The full financial influence of the government must continue to be exerted in the direction of general credit ease and further monetary growth while the economy is recovering. Some further downward adjustments in interest rates, particularly those which have been slow to adjust in the recent recession, are clearly desirable; and certainly to increase them would choke off recovery."

Martin replied that the Open Market Committee carefully considers anything that the President says, that it welcomes his views, but that forecasting must consider many imponderables. He said the committee's obligation is to supply reserves to the banking system—not to fix any particular level of interest rates.

Effect of operation. The Fed's Open Market Committee (composed of all seven members of the Fed board in Washington and five of the Fed's 12 regional bank presidents) oversees the Fed's portfolio of government securities. This gives it a major influence over the nation's money supply—and the level of interest rates. When it buys, it adds to the reserves of the banking system, thus helps to lower interest rates; when it sells, it shrinks the reserve base, which tends to drive rates up.

From 1953 until late last year, the Open Market Committee followed a "bills only" policy of dealing solely in 91-day Treasury bills. This was abandoned just before the November election; since then, the Fed has also been trading in intermediate and long-term securities. In effect, it has been using its powers to reduce long-term rates while holding short-term rates on an even keel.

On the spot. Patman pressed Martin to say specifically what he proposes to do about the Kennedy statement. Martin said he would see that every member of the Open Market

Committee gets a copy of the President's statement. He observed that Kennedy's ideas would be considered "in the light of all the circumstances," adding: "I want interest rates to be related to the flow of money into the economy."

Martin affirmed his belief in "as low interest rates as you can have without inflationary pressures." But he stressed that the Fed would not "peg" interest rates at any given level—something that the Administration has not suggested—and warned of the inflationary perils in using bank credit instead of savings in financing economic growth.

Points of difference. The careful wording of Martin's reply, and his purposeful omission of any explicit endorsement of Kennedy's stated low-interest-rate goals, underlined his differences with Administration policies. Martin is clearly reserving to himself a degree of independence about Federal Reserve policy over the next few months, while the vigor of the business upturn is being tested. There's an implication that he will leave if the Administration puts too much pressure on him.

The big problem the Fed has to deal with as a central bank, Martin said, is establishing an "equilibrating" interest rate—one that provides for savings as well as bank credit. "By and large, we have not done too bad a job in keeping in the middle of this money stream," he commented.

He said that the economy, partly because of the influences exerted by the Open Market Committee, has been experiencing a period of credit ease for more than a year. To prove his point, he cited a shift in bank reserves from minus $500-million to plus $500-million.

When Rep. Henry S. Reuss (D-Wis.) sought to establish a relationship between high unemployment and low bank reserves, Martin commented, "I think it is a mistake to claim that interest-rate policy alone will cure unemployment."

Public posting. Patman pressed Martin and other Fed officials to reveal Open Market Committee decisions at the time they are made, instead of many months later in the Federal Reserve's annual report.

He maintained that "sophisticated" Wall Street bond traders could quickly determine Open Market Committee decisions by close observation of the government bond market, thus had the opportunity for personal profit. He also raised the question of a similar opportunity for "insiders" who participate in Open Market Committee operations, but hastily added that he knew of no actual occurrences.

Alfred Hayes (picture), president of the New York Federal Reserve Bank and vice-chairman of the Open Market Committee; Robert G. Rouse (picture), manager of the Open Market account, and Martin himself all politely rejected the idea. Committee members, Rouse said, are "dedicated persons" working in the public interest; employees are aware of a code of ethics calling for instant dismissal for speculative use of information.

The officials warned that immediate disclosure of the committee's operating policy would incite unwanted speculation in the government bond market, and in some instances would seriously disrupt the Federal Reserve's operations.

Patman won a concession when Martin promised to convey his request for the 1960 minutes of the Open Market Committee, and Patman said he would not press his demand until after the committee's next meeting.

Martin also said he would lay before the committee Patman's request for reports on open market decisions every three months, instead of annually as at present.

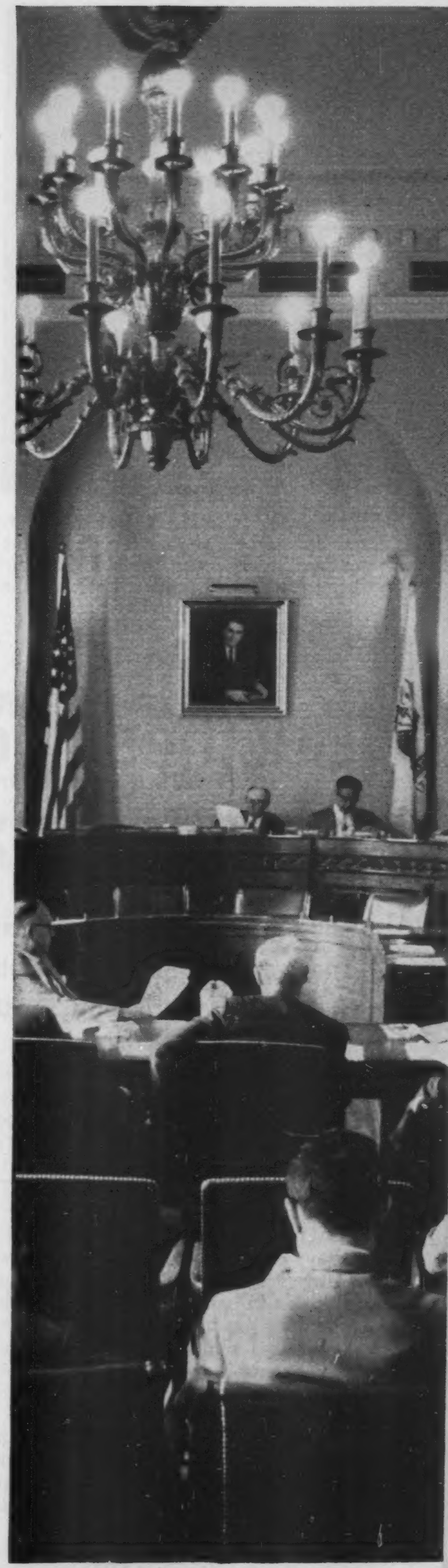
Political flavor. Republicans virtually boycotted the hearings. Sen. Prescott Bush (R-Conn.) chose one of his intermittent appearances to question Patman closely about his advocacy of immediate publicity for open market operating decisions. At one time or another, one or two Republicans were present, but they asked few questions.

Democrats attended fairly regularly, with the notable exception of Sen. Paul H. Douglas (D-Ill.), the group's vice-chairman, who alternates with Patman as chairman during Democratic control of Congress. Douglas, a former professional economist, has often disagreed with Patman's views on money and banking.

The most persistent questioning came from Patman and Reuss, with some support from Sen. William Proxmire (D-Wis.). Their line of inquiry clearly demonstrated their political convictions in favor of utilizing the Open Market Committee to push interest rates down.

At times, their view clashed markedly with that of the money managers, but the exchanges were polite and, in most instances, ended with a promise by the witnesses to pass the legislators' views along.

At other times, it seemed as if the legislators and the Fed officials were talking about two entirely different conceptions of open market operations—how they are performed, what they accomplish, and what their goals are.



Rep. Wright Patman (on dais under picture) conducted committee hearings.

Asst. Secy. of Treasury Stanley Surrey, defending the plan he devised: "All the old proverbs about the bird in the hand have a pertinence here for the business community."

George Terborgh, Machinery & Allied Products Institute: "If the tax credit approach to investment incentive is to be followed, we strongly recommend across-the-board credit, at least 10%."

Howard C. Petersen, Committee for Economic Development: "There is no way in which it [the tax benefit only on spending in excess of depreciation] can be defended as fair."

Business politely declines tax credit

And Treasury officials are pretty peeved about it. They warn that the Administration may take a cooler view of business tax problems, but they go on talking cut

One of the paradoxes of the first months of the new Administration is the spectacle of practically solid business opposition to the President's proposal to give corporations, partnerships, and proprietorships a $1.7-billion tax reduction.

While testifying before the House Ways & Means Committee, business witnesses tried to couch their opposition in polite terms. But the cold shoulder so publicly administered has put a chill on the Administration's—and particularly the Treasury's—inclinations to woo the businessman from here on.

Surprise opposition. The Administration expected solid opposition from companies and individuals asked to pay an additional $1.7-billion per year.

What Treasury officials didn't expect is the almost blanket opposition to the other side of the package: the $1.7-billion in tax credits—in effect a tax cut—offered to business as an incentive to stimulate modernization of plant and equipment. Not one prominent business spokesman has testified in favor of the Administration's dramatic offer that would cut the tax bill of hundreds of corporations by 30%, and others by lesser—but still important—amounts.

The most comfort that Treasury officials can find is in the qualified support of the Commerce Dept. (which has to support Administration policy) and the railroad and textile industries, each of which needs Treasury and Administration support for government help they are actively seeking on other fronts.

Business stand. In one way or another, most business spokesmen testifying on the tax credit scheme took a position something along these lines: "We appreciate the Administration's recognition of the problem. But the tax credit related to depreciation is all wrong. If you must vote a tax credit, make it a flat, across-the-board, percentage of all spending on new plant and equipment. Or, better yet, why not do what all of us recognize is needed: either allow an increased first-year depreciation allowance or some other method that would update today's outmoded depreciation rules?"

Almost to a man, witnesses agreed that depreciation reform is long overdue.

Business criticism of the tax credit based on depreciation allowances was quite blunt. It was called an unwanted subsidy and a dangerous first step toward taking tax power away from Congress and giving it to an Administration for manipulation of the economy. It was called incredibly complex to administer, sure to generate a new wave of court cases, inequitable in its benefits to already-booming growth industries, and so on.

What they said. Joel Barlow, tax lawyer representing the U. S. Chamber of Commerce, said: "As serious as is our economic plight, we doubt that this kind of preferential tax treatment, which really amounts to a direct subsidy to one segment of business, is necessary or would be fruitful or effective."

Daniel C. Lewis of the Lynchburg Foundry Co. in Virginia, said: "The Administration's tax incentive proposal fails to deal constructively with the lagging growth of our economy in that it fails to release funds where

they are most urgently needed, makes for gross inequities, undue complications, and undesirable bureaucratic intervention. The tax credit under consideration provides no funds which could be channeled into a struggling company without adequate financing, nor does it provide relief for the company which has recently modernized or recently expanded."

Leslie K. Pollard of the Ray-O-Vac Co., Madison, Wis., said: "In my firm opinion, the proposed tax incentive for modernizing and expanding is not best for the present, and it would create a very dangerous precedent for the future."

Treasury view. Treasury officials, from Secy. C. Douglas Dillon on down, now know all the dozen or so reasons why industry representatives say they are against the tax credit plan devised by Asst. Secy. Stanley S. Surrey and backed solidly by Dillon and Kennedy. But Treasury officials believe that a key reason that businessmen decided politely to reject the plan is the hope of getting next year the kind of tax reduction plan they want—either a cut in corporate tax rate or an increase in depreciation allowances, or both.

Treasury officials have let enough out in public statements to reveal their feelings—and they get much more explicit off the record.

They say the business attitude ("Oppose this now, and later we will get what we want") is short-sighted, unrealistic, and politically not very smart. They are reacting much like a swain who has had his bouquet of roses called a bundle of thorns. They are miffed, annoyed, and testy.

Businessmen are "dreaming," Treasury aides say, when they throw away the offer of something real here and now for some future benefit they may never have a chance to get.

Warning words. Surrey said as much recently in a Chicago speech: If businessmen "will view the situation as realistically as has the Administration . . . they will recognize that the large revenue losses involved in the various forms of accelerated depreciation, wholly apart from other problems associated with these devices, simply are not feasible from a budgetary standpoint."

In fact, Treasury insiders say, Kennedy isn't going to approve any big tax reduction in the depreciation reform recommendations he will make next year.

Surrey says bluntly: "They might also recognize that other claimants to tax relief, who place great stress on individual income tax reduction as the answer to our economic problems, are far less likely to yield their claims to expensive accelerated depreciation devices than to the investment credit."

Political reaction? Some top Treasury officials say flatly that the opposition is political. So far, this attitude has showed up publicly only in Surrey's speech before the Bond Club of Chicago. He said his colleagues find the widespread business antipathy to his scheme "genuinely puzzling." After answering what he termed the "misconceptions" on which the opposition is based, Surrey said the tax incentive is part of a "non-political approach to our tax problems" that should be "considered and examined in the same light."

Treasury officials say that the company executives they see privately, particularly the corporate tax lawyers, agree that the tax credit idea "is a good thing." But top management political strategy, say the Treasury people, is that "they don't want to take this tax benefit from a Democratic Administration. They want the tax cut all right, but they want it in depreciation or some way that doesn't put it out in the open."

Dillon has said something like this publicly. On a TV interview last month he said of the tax credit opposition: "Business would like to have a larger benefit than we are offering. We are offering a benefit that will cost $1.7-billion. Many of the alternative proposals will cost $3-billion or $5-billion. . . . They prefer a straight tax reduction in some form which did not require them to do something to obtain this particular reform."

Chances for tax cut. Although Treasury officials hint darkly that the business rebuff to Kennedy's tax incentive plan may adversely affect future Administration decisions on tax policy, no one can spell out precisely how.

Actually, the Treasury and the Administration are taking an increasingly favorable tone toward recommending a tax cut next January to take effect in fiscal 1963.

Cordiner reaffirms his stand

GE head tells Kefauver subcommittee he regrets antitrust difficulties, but he firmly denies any personal negligence. He describes new and strict preventive measures

Ralph J. Cordiner, chairman and president of General Electric Co., made his long-awaited appearance before the Senate Antitrust & Monopoly subcommittee this week. His testimony was just about as expected: He was repentant for his company's antitrust difficulties, but adamant in denying that he was personally negligent in allowing the corporation to get that way.

Cordiner reacted vigorously once or twice during his day-long stay in the witness chair—particularly when he felt Committee Chmn. Estes Kefauver (D-Tenn.) was questioning him more about his company's background of antitrust troubles than he had other witnesses. Cordiner also objected to photographers crouching in front of him (Kefauver shooed them away).

But mostly he calmly outlined his contention that GE got into trouble with the Justice Dept. because of a secret conspiracy by subordinates who, he said, were probably motivated by a desire to become an important power in their industries—"Mr. Transformer" or "Mr. Switchgear"—or who simply wanted to do business in a lazy fashion by meeting with competitors to fix prices and divide markets.

Last session. Testimony by Cordiner and Commerce Secy. Luther H. Hodges concludes for now the subcommittee hearings on price fixing in the electrical manufacturing industry. But Kefauver may come back later for further hearings into the industry.

Cordiner said GE has initiated "penetrating legal reviews" and "new financial auditing techniques" to help make sure the company doesn't again get enmeshed in antitrust violations.

Earlier testimony before the subcommittee had intimated that illegal meetings also involved GE's motor and electronic tube divisions, which were not named in the government's complaints against the company. Within 48 hours after reading the testimony, Cordiner said, he had launched inquiries to find out whether there was any wrong-doing. He said these inquiries had not yet been completed, but he is already satisfied there was complete compliance with the law in those divisions.

Steel's dilemma

Softening prices worry steelmen

Spread of price cutting hits closer to bread and butter items, and steel gets anxious about how it can absorb wage boost due in October without financial damage

The steel industry's chairmen, meeting late last month at the annual convention of the American Iron & Steel Institute, began beating the drums for higher prices in anticipation of the steel wage boost due Oct. 1.

But the party hadn't been over a week before the trade disclosed some deadly serious price cutting, affecting the highest-volume stainless steel items, oil country goods, and line pipe. Mostly it was described in such fashion as to disguise its impact. But steelmakers who don't blink at customer pressure or competitive price-sharing agree that, by whatever name, it's price cutting.

The burst of post-convention cutting highlighted the increased uneasiness of steel prices ever since March. This was while steel was bouncing up smartly from a 55% to 72% operating rate.

Despite the production surge, in exactly one day less than three months the industry recorded a dozen price reductions. The cuts affected a dozen different products, half of which are in no sense specialties. This was half as many reductions in three months as in the previous 15.

Chopping list. Here's the most recent spate of cuts:

Early this week, U. S. Steel's National Tube Div. cut a popular grade of seamless line pipe $18 a ton; the industry attributes this to West Coast competition from foreign producers and domestic makers of welded pipe.

Late last week, competitors matched a National Tube move to boost jobbers' discounts on oil country goods by four percentage points.

Early last week, Allegheny Ludlum Steel Corp., a major specialty producer, cut base prices on cold-rolled stainless strip—far and away the highest-volume stainless product—and cut or dropped some extra charges on cold stainless sheet, second-highest in volume.

Month after month. Before the convention, in the period from early March through mid-May, cuts came on all sides. Upholstery wire prices were cut. U. S. Steel eliminated two regional tinplate premiums. Carpenter Steel Co. cut two grades of stainless cold-heading wire. Atlantic Steel Co. cut reinforcing bars $5 a ton. Acme Steel Co. dropped a regional premium on cold-rolled carbon strip. Conduit prices were cut 5%.

Then Carpenter cut bar, billet, and wire prices in a popular stainless grade 10%. Allegheny Ludlum announced "big-order" prices on a new stainless grade. And the price of conduit stock—semifinished product—was cut to help ease the squeeze on conduit producers who have been battling aluminum conduit.

Near low. During all this time, only one steel price increase was announced—a 1% boost by National Tube on three small sizes of oil well casing on Mar. 17.

The post-convention cutting almost immediately dropped the Labor Dept.'s finished steel price index a tenth of a point, to its lowest level since July, 1958. Almost certainly, National Tube's oil country goods and line pipe moves will edge the index down again this week—but it will still stay several points above the July, 1958, level.

Vexed. Steel people are sensitive, vexed, and embarrassed by this accelerating erosion of their price structure. Indirectly, it had been under attack for at least 15 months by continuing weakness of steel warehouse prices. Now the erosion is hitting mill prices; though it hasn't yet really touched the bread and butter items, it has been getting embarrassingly closer to them.

The price churning has made one thing clear: The market is much too hard-boiled to give steel any credit for having ended a 12-year upward price spiral 34 months ago—an effort that cost steelmakers dearly. Customers and competitors are telling steel bluntly it wasn't enough.

Nervous. That being true, steelmen are getting nervous about the prospects for early October, when they must add about 14¢ per hour to total employment costs. For months, steelmen have been saying rather dogmatically that this simply can't be absorbed.

One thing that scares them most now is Washington. If the Administration is as serious about holding prices down as it has been leaking to reporters for months, steel can only be in trouble on an October price increase. Here's why:

- In the second quarter, most producers will make their dividends. Some will earn enough to get current for the first half.
- Steel faces a rising last half with inventories at minimum levels. Most, if not all, producers will earn third-quarter dividends. It's hard to see how the fourth quarter can be much, if any, below 80%, where earnings ought to be good.
- So if steel is to raise base prices generally, it will almost have to do it right on the heels of the Oct. 1 employment cost boost. By mid-October, steel will be operating very briskly and publishing income statements showing adequate earnings in what is generally steel's slowest quarter, the third.

Financial worries. One steel financial officer concedes the industry could probably cover 1961 dividends even if it absorbs the Oct. 1 wage boost. But, he asks, "Where would we get the funds to carry on the spending we all know we must do?"

Steel financial men argue that absorbing the Oct. 1 wage boost would likely raise to about 70% the operating rate necessary for most producers to cover their dividends—leaving no margin whatever for short periods of slow business. Dividend rates would be shaky, imperiling the industry's ability to finance capital spending.

Countering the contention of outsiders that steel's profit is enough to absorb the boost handily, financial men point out that industry shipments and pre-tax profits were almost the same in 1950 and 1960. But the 1950 volume was on $5.3-billion of stockholders' equity, while in 1960 the industry needed $10.5-billion for the same volume—actually, a cut of one-half in steel profits.

Air shuttle passenger on Eastern Air Lines has only to pull boarding pass from machine (left, above), sign name and address to give airline a record in case of accident (center), and get on the plane. He needs no reservation, can pay on trip. It's still an experiment, but Eastern is opening a new $525,000 shuttle terminal at New York.

It's battle of lures in air fight

American counters Eastern's low cost shuttle with deluxe flights at premium price

Two giant airlines with opposed philosophies will start slugging in earnest next week over a pair of huge, short-haul markets where the number of passengers on each runs as high as 2,000 a day.

On one side is Eastern Air Lines, Inc., with its no-reservation, no-frills, reduced fare air shuttle service (pictures) between New York and Boston and between New York and Washington (BW—Mar.25'61,p25). Eastern is now backing this experiment by putting $525,000 into a new terminal exclusively for shuttle passengers, due to open Monday in a La Guardia Airport hangar at New York.

On the other side is American Airlines, Inc., for years the dominant carrier on the two routes. American's strategy, at least in these markets, runs in the opposite direction. Starting Sunday it will upgrade its service. Twice daily between New York and Washington, three times between New York and Boston, American will fly a "Captain's Deluxe Service" costing an extra $2. This will feature hors d'oeuvres, drinks, newspapers, stock market quotations, and three stewardesses.

In the middle is the much smaller Northeast Airlines, Inc., which has fought its way in four years from virtually no penetration in these markets to a point where its officers believe it currently leads.

If anything, Northeast's philosophy is more like American's. It thinks most of its passengers are sophisticated travelers, usually businessmen, who want the niceties of first-class service. It believes its service is as de luxe as American will offer but plans no $2 surcharge.

On the even hour. Eastern's shuttle flights leave the three cities on weekdays every even hour from 8 a.m. to 10 p.m. The planes are fully depreciated Lockheed Constellations, hence relatively cheap to operate. Fares between New York and Washington are $14, between New York and Boston, $12, tax included. First-class fares are $19.14 and $16.50.

Each plane, with galley removed and with three-and-two seating, can carry 95 people. When the 95th passenger has pulled his boarding pass from the dispenser (picture), the machine summons a stand-by plane. This concept is central to the operation, yet it's the one Eastern has the greatest difficulty selling. Eastern guarantees to take all comers, whether there are two extra planeloads—as happened one Friday—or just one passenger. From Apr. 30, when service began, to June 3, it carried more than 35,000—and, says an executive, "We haven't left one behind."

Because it eliminates costly reservations and confirmations, much baggage handling, and so on, Eastern says it can operate at a profit if flights are only 50% full. It believes the easy arrangements will attract passengers, including businessmen.

Opposite tack. American and Northeast take the view that most customers on these routes fly on business; that the fare doesn't matter because the company pays; that paper work of reservations is no strain because secretaries do it. A businessman with a definite appointment, they believe, will want a confirmed reservation.

Starting Sunday, virtually all of American's schedules on these routes will be flown by the Electra II, an Electra with strengthened wings and engine mounts.

Key question. The key question in the battle is whether reduced fare, commuter flights attract new business or steal passengers from the competition—and from Eastern's own first-class flights. Charges and countercharges obscure the answer—but there's an industry joke that half of Eastern's shuttle passengers are spies from bus lines, railroads, and other airlines taking notes.

Allegheny Airlines, Inc., has been operating a somewhat similar commuter service, at 36% under first-class fares, between Pittsburgh and Philadelphia since October, 1959. The no-reservation passenger uses the same plane as the first-class passenger, gets the same service, but boards only when space is available. A CAB examiner said that as of June 30, 1960, the service had produced some 18,000 passengers in excess of normal traffic growth.

In business

BW

Aerojet-General named prime contractor on nuclear rocket engine project

Aerojet-General Corp. has been chosen over six other bidders to be prime contractor for Project Nerva (nuclear engine for rocket vehicle application). Westinghouse will be the principal subcontractor. The joint NASA-Atomic Energy Commission office is now negotiating the final contract.

The first, six-month phase of Nerva is expected to cost around $2-million, with costs rising to **between $100-million and $200-million by the completion of the** program, probably in 1965.

Nerva fits **into the over-all Rover** program, which aims to test fly a nuclear rocket engine from Cape Canaveral by 1966-67, with an operational nuclear rocket engine ready for space use within another year or two. By that time, the whole deal will probably have cost close to $400-million.

Pipelines and gas producers urge Congress to act on price regulation

Witnesses at Senate Commerce Committee hearings on the Magnuson bill to clear up the Federal Power Commission's huge backlog of natural gas rate cases have charged that the measure attacks the symptoms of the problem instead of its root—which is how to regulate gas producers.

The bill, introduced at the request of the National Assn. of Railroad & Utilities Commissioners, would:

- Forbid producers and pipeline companies to file rate increases while FPC was still considering an earlier boost.
- Extend FPC authority to the price of gas for industrial use.
- Set deadlines by which FPC and its examiners would have to render decisions.

At the hearings, producers and pipeline operators have demanded that Congress come to grips with the problem created by the 1954 Supreme Court decision putting producer prices under FPC control. The agency is still groping for a satisfactory method of regulation; nub of the matter is the difficulty of fixing retail gas rates when the wholesale rates are continually in doubt.

Six makers of pole line equipment indicted on price-fixing charge

Six makers of pole line equipment were indicted this week on a one-count price-fixing charge by a federal grand jury in Milwaukee. They were: Oliver Electrical Mfg. Co., Utilities Service Co., Hubbard & Co., McGraw-Edison Co., Joslyn Mfg. & Supply Co., and A. B. Chance Co. The last four had also been named in the Philadelphia price-fixing cases in the electrical equipment industry, but Atty. Gen. Robert F. Kennedy said the cases were wholly unrelated.

The companies are accused of **conspiring for many years to fix prices and uniform discount rates and to establish noncompetitive distribution practices.** The government says the six did 75% of the pole line hardware business in the East and in Colorado, Montana, New Mexico, Texas, and Wyoming.

In another price-fixing case, a federal judge in Dayton, Ohio, set fines for two executives and four companies in the electrical resistor industry. Those fined were: Speer Carbon Co. and its vice-president (sales), Edward W. Butler; Allen-Bradley Co., and George W. Vater, sales manager of its Electronics Div.; Stackpole Carbon Co.; and International Resistance Co.

In a third case, four oil companies announced that they would appeal the ruling of a federal district court in Indiana upholding their conviction, with seven other companies, **on charges of fixing gasoline prices** in 1957 in South Bend. A 12th company, Gulf Oil Corp., was acquitted by the district court.

The four that have announced they will appeal are Standard Oil Co. (Indiana), Texaco, Inc., the Ohio Oil Co., and Socony Mobil Oil Co., Inc. The other seven companies are also expected to appeal.

Court upholds right of Northern lines to refuse joint rate to rival

The U. S. Supreme Court has refused to grant the Chicago, Milwaukee, St. Paul & Pacific RR a joint rate on freight moved to the West Coast over the Spokane, Portland & Seattle Ry.

The SP&S is owned jointly by the Great Northern Ry. and the Northern Pacific Ry. Co.; it links Spokane and Portland. The Northern lines quote joint rates for hauls to Portland but refuse to allow the Milwaukee to do so; as a result, Northern rates to Portland are lower than the combination rate that the Milwaukee charges.

When the Milwaukee protested, the Supreme Court ruled that the joint rate charged by the Northern lines **is protected by the "short haul" provisions of the Interstate Commerce Act, which permit a railroad to refuse freight originating on a competing line when the entire haul could have taken place on its own lines.** Thus the court upheld the Northern lines' contention that they and the SP&S made up a single system, which the Milwaukee was attempting to short haul.

Chicago gasoline price war ends

Chicago's **five-month gasoline price** war ended this week as first independents and then major refiners announced 6¢ to 9¢ boosts at the pump, bringing prices back to near normal. During the war, retail prices of regular gasoline had fallen to 25.9¢ a gal., from 33.9¢.

A preventive for heart attacks?

The big breakthrough could come at any time. New theories, new drugs, and new tools are giving doctors better weapons to help fight off heart disease at an earlier stage

Will scientists ever develop a means of preventing heart attacks? If so, how soon?

Only a few months ago, researchers in heart diseases were unwilling even to guess at the answers. Now, however, a flurry of important developments indicates that a breakthrough may be near in the long search for a preventive.

Public concern about the heart attack problem has been on the rise. The American Heart Assn. has warned bluntly that, as things stand today, one out of every five middle-aged males can expect to suffer a heart attack before the age of 65. And the death rate is running close to 500,000 a year.

To make matters worse, atherosclerotic coronary heart disease—the condition known generally as a heart attack—is most apt to strike in the prime middle years. And the disease cuts across the entire male population regardless of station or occupation.

This gloomy picture may be changed—before the end of the decade—if recent findings turn out to be as valuable as they look now. That doesn't mean that at that point heart attacks will cease to occur. It does mean, however, that doctors will have better tools to anticipate heart attacks, and means to prevent patients from having recurrences. Meanwhile the bits and pieces that must be filled in before heart disease is conquered are beginning to fall into place.

New theories. There is growing evidence that hardening of the coronary arteries in man is a two-step process—an injury to the lining of the arteries and the presence of a certain fat (lipoprotein) in the blood as it flows past the site of the injury. Since coronary arteries carry the blood to the heart, any severe clogging of these arteries becomes a chief cause of heart attacks. And anything that can prevent the injury or keep the concentration of lipoprotein from aggravating the hardening process becomes a method to prevent the subsequent attack.

Working under a grant from the American Heart Assn., Dr. Levin L. Waters, professor of pathology at Yale, last month reinforced this theory with evidence that he has accumulated over 20 years.

Apparently, arterial injury in man occurs commonly, Waters says. In experimental animals, damage to the arteries may be produced by short periods (a few minutes) of high blood pressure, or by bacteria, or by chemical substances carried in the blood during illness. The arteries react in a similar way—regardless of what the injurious agent is—by forming fatty "plaques" on the artery wall.

These plaques actually are a kind of arterial reaction to inflammation, Waters claims. Lipoprotein in the blood flowing past the site of injury is trapped even though the blood is moving swiftly. The inevitable result is hardening of the arteries.

Waters further states that the greater the injury to the artery walls, the less blood lipoprotein necessary to establish a pre-heart attack condition. This could explain why hardening of the arteries often develops in people who have demonstrably normal blood fat levels.

Waters has experimented only on animals, so far. But, on the basis of these tests, he states flatly that hardening of the arteries can't be caused by a heavy blood fat concentration alone. Injury to the artery wall is the necessary first step.

Diagnosis and treatment. New tools for diagnosing cardiac ailments are also becoming available. Recent developments in X-ray examination and radiocardiography equipment (page 38) now make it possible for doctors to inspect coronary arteries before heart attacks.

There already have been spectacular successes in the surgical treatment of heart and blood vessel abnormalities. Surgeons can reopen narrow or closed arteries that feed the heart; they can tuck in or patch hearts about to erupt; and can even replace weakened or ballooned-out arteries with plastic arteries.

But the real problem—so far unsolved—has been to alleviate coronary arterial trouble before a heart attack occurs.

"The greatest handicap in developing rational therapy to prevent heart attacks," says Dr. Edward I. Goldsmith of the New York Hospital-Cornell Medical Center, "has been insufficient knowledge of the actual problem within the coronary artery itself. The diagnostic advances of the past few months have indicated that the prevention of heart attacks is not beyond eventual, and perhaps, imminent control."

Hormone drug. New theories and diagnostic methods are not the only aspects of heart research that are gaining ground. Recent tests of a female sex hormone, Premarin, indicate that it may be an important drug in preventing heart attacks. There are already a number of anticoagulant drugs for patients who have had heart attacks. But the use of hormones is a relatively new idea.

Tests reported at a meeting of the American Federation of Clinical Research at Carmel, Calif., indicate that males who are fed a small daily dose of Premarin appear to live longer than those who are treated with anticoagulants alone.

Although the Premarin tests have been going on for only four years, one interesting finding has emerged. Patients who are fed small daily doses do not experience a lowered level of cholesterol in the blood stream. Yet they appear to live longer than patients with the same cholesterol level who are not given the drug.

What this means isn't entirely clear yet. But, according to Dr. Jessie Marmorston, clinical professor of medicine at the University of Southern California Medical School, it appears to discount the widespread belief that a reduced amount of cholesterol in the blood stream augurs well for a heart patient. The discovery could also lead to the development of a new, simple, and relatively inexpensive chemical means of preventing heart attacks. **End**

'Tuning in' on heart ailments

Telemedics' radiocardiograph—an offshoot of space research—gives a more useful cardiogram because it can be used while patient is exercising

The term "fallout" is getting a big play in scientific jargon in a completely non-nuclear sense. It's the word used to cover the discoveries and developments that come along as side effects of major research projects—products that turn out to have commercial values quite apart from those for which they were originally designed.

The nation's multibillion-dollar space effort almost certainly will have extensive fallout of this kind, even though most such products that have reached the market so far have a gimmicky cast.

Now Telemedics, Inc., a subsidiary of Vector Mfg. Co., has trained its telemetry knowhow on an important and useful new product: a radiocardiograph setup for doctors that promises earlier detection and better diagnosis of heart troubles (page 36).

Test flight fallout. Telemetry is the technique of coding, broadcasting, and receiving physical data. On missile test shots, for instance, information on temperature and wind velocity endured by the nose cone are relayed back to ground control stations by telemetry. Vector used this technology to build equipment for the Navy's medical lab at Johnsville, Pa., to record the astronauts' electrocardiograms, respiration rate, and brain-wave activity during test flights.

Adaptations of this equipment are now being sold to doctors and hospital cardiology departments. The $2,100 device consists of a coding and transmission device little bigger than a pack of cigarettes and a desk receiving unit that can pick up signals 500 ft. away and translate them through a normal cardiogram printing unit or an oscilloscope, or both. Its major appeal is that—unlike conventional methods—it can take a cardiogram of the patient while he is moving about or exercising, and thus give an accurate picture of the heart action when it is under strain.

The Telemedics product sends the data from heart to receiver by radio, leaving the patient free to do as he's instructed. Initial tests run by Dr. Samuel Bellet, head of the Cardiology Div. of Philadelphia General Hospital, showed that more than one-quarter of all patients with known heart trouble register special abnormalities only or chiefly during exercise—abnormalities that disappear on the cardiogram when exercise stops.

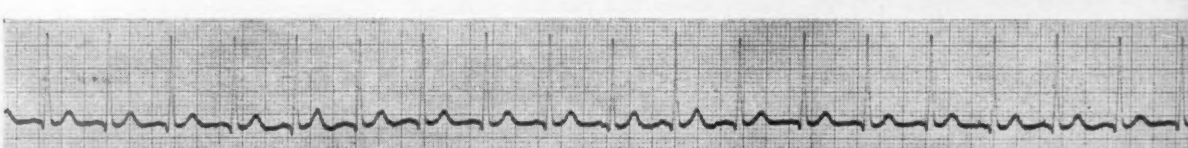
Almost 7% of "normal" subjects tested with the new device have minor heart abnormalities during exercise, researchers say. These normal subjects were mainly interns in their mid- and late thirties; the assumption is that these minor abnormalities would show up more frequently in older people.

Other uses. The transmitter's 500-ft. range suggests other uses besides diagnosis during exercise. Telemedics is pushing sets for hospital use so that a cardiologist in one spot can keep constant check on heart patients and on postoperative cases by tuning in on one after another to check heart activity. And the company also is about to introduce a device that translates the cardiogram data into a magnetic code for recording on a regular home tape recorder. This would allow a businessman, say, to make a tape recording of his heart reactions during a normal business day, which the cardiologists could then translate to a normal cardiogram tape. In this way, heart strain that occurs because of tension, but not because of exercise, can be pinned down and diagnosed.

The inconspicuousness of the transmitter, the ease with which the patient can be wired up (the two electrodes are included as part of regular Band-Aids and the wires simply snapped into them), and the complete freedom allowed the patient mean that for the first time it will be practical to get records of the heart's reaction over a period of time to, say, new drugs. The device should be a boon also in studying the normal workings of the heart.

In the field. The radiocardiograph is the first of a number of space-inspired medical tools that should be hitting the market soon. Motorola, Inc., already is marketing an EKG device that transmits its information over telephone lines, so that a cardiologist can be consulted by phone.

Radiocardiograph at Philadelphia General Hospital registers heart action (below) of salesman (above) while he simulates normal exertion of his job.



Washington outlook BW

June 10, 1961

Kennedy gains at home from European trip

The real effect of Pres. Kennedy's European trip on our allies and our enemies cannot be known for months.

On the surface, nothing has changed—except a deepening of the sense of foreboding about Khrushchev's intentions (page 25).

But here at home, **the trip is certain to have a major impact on government and politics,** along lines already roughly discernible.

Kennedy gains stature from the trip.

The bare fact that he saw Khrushchev and got away without a public shoe-pounding fit of temper by the Soviet boss is taken by many as something of an achievement.

There's bipartisan agreement that Kennedy conducted himself with cool skill. **The trip offset some of the damage inflicted on Kennedy by the Cuban fiasco.**

Kennedy's warning that the nuclear test ban discussions are in deep trouble, along with the generally somber tone of his report to the people by TV Tuesday night, points to renewed calls for a greater national effort.

This means higher spending for arms, space, and foreign aid.

Kennedy can speak out for such programs now with the added prestige of a President who has personally talked with the other world leaders. His foreign aid requests—in deep trouble in Congress—are already being given a better chance of adoption.

Budget red ink will touch off a free-for-all

In three weeks, fiscal 1961 will end with a red ink entry of something like $3-billion on the books.

This will touch off bitter controversy over the budget and where it is going under Kennedy.

There will be politics in the flurry of charges and countercharges, but there will also be honest disagreement and confusion.

Treasury Secy. Douglas Dillon is forecasting a $3.8-billion deficit next year.

As the business pace increases, **Dillon hopes for a sharp rise in tax revenues—to $90-billion or more in fiscal 1963,** which begins July 1, 1962. A rise of this kind—he is telling members of Congress—should meet all the spending increases now in the Kennedy program and leave something for tax reduction.

Republicans reject this forecast.

Rep. Charles A. Halleck, GOP leader in the House, complains that nobody—not even Kennedy's own budget experts—knows what the New Frontier programs are going to cost. He warns about a rise of $60-billion in spending in five years "if not sooner."

New GOP chief will move party to the right

The Republican Party is moving to the right as it prepares for the 1962 Congressional election, with spending the big issue.

Selection of Rep. William E. Miller of New York as the new National Chairman, replacing the more liberal Thruston B. Morton of Kentucky, **gives conservatives a sweep of the top Republican jobs in Washington.**

The party's voice here will be increasingly militant.

Washington outlook Continued

Miller is as strongly conservative as the party's official spokesmen in Congress—Sen. Everett Dirksen and Rep. Halleck.

Miller's job is to capture the House next year, which means taking 45 seats now held by Democrats.

Miller is a tough, partisan campaigner, and will look for GOP candidates of the same type.

Miller speaks out: He likes Goldwater

Outside the Eastern Seaboard, at least, Miller will run the kind of campaign that Sen. Barry Goldwater has been saying is necessary if Republicans hope to win the White House away from Kennedy in 1964. This week, **Miller came out flatly for Goldwater on the 1964 ticket, either as President or Vice-President.**

GOP morale is high, as reflected at meetings here last week.

Democrats are worried.

In a recent speech to party faithful calling for an increased effort, Democratic Chm. John Bailey confessed that **the public reaction to Kennedy's programs is fuzzy.**

The old New Deal issues such as social security and housing loans were simple and easy to grasp, Bailey said. But Republicans can take the more complicated issues of today and blur them while avoiding head-on opposition, he added.

$700-million cost on job program

Congressional critics of the Administration's job retraining and relocation program are pressing for details about the plan.

One detail: **The total cost is pegged at $700-million.** Spending will start with a modest $100-million the first year.

Labor Secy. Arthur J. Goldberg, the chief defender of the plan before Congress, this week explained one way the program could be used if the money is voted.

If an employer moves his operations to a new plant, the government can pay the moving costs of his workers to the new location. The employer might find his old work force at the plant gates on opening day, planning to work at the same old wages.

Rail merger map arouses senators

Powerful resistance to rail mergers is building up in the Senate—and a glance at the map shows why.

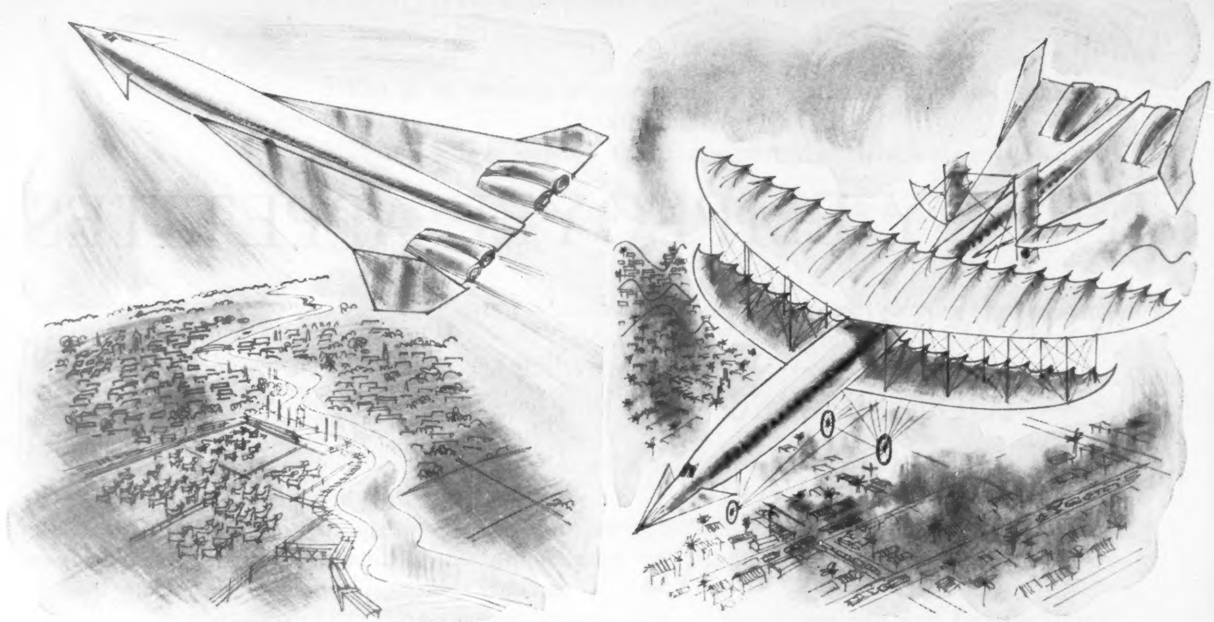
Three potent Senate leaders are behind a resolution asking the Interstate Commerce Commission to go slow on rail mergers. They are Senate Majority Leadèr Mike Mansfield of Montana, Democratic Whip Hubert H. Humphrey of Minnesota, and Warren G. Magnuson of Washington, chairman of the Commerce Committee.

Rail service in each of their states would be affected if one merger goes through. That is the proposed merger of the Great Northern, Burlington, and Northern Pacific into one giant line stretching from Chicago to the Pacific Northwest.

Treasury will take tax compromise

The Treasury, hard-pressed to defend its complicated proposal for a depreciation tax credit, has a compromise plan that it will accept.

The substitute would be an across-the-board 7% credit for investment in new plant and equipment. This would be more to business liking than the graduated plan proposed by the Treasury (page 30).



Tomorrow's supersonic transport may change shape in mid-air; swept-back for speed, it may have to sprout landing wings.

TRANSPORTATION

When supersonic travel comes

Airlines and plane builders shudder at cost and seemingly insoluble problems; but they're aiming at Mach 3 speed and already arguing about how to finance development

The world's airlines and plane builders are troubled these days by a haunting vision that refuses to disappear.

The vision that both attracts and disturbs them is something like the airliner with fold-away wings in the drawing above. It is longer and thinner than today's jets, but no one knows its exact dimensions nor how many people it will carry. Its wings will probably be in the tail—but no one knows their exact shape. It will be fast, but precisely how fast no one is prepared to say. Some look for twice the speed of sound, others for three times—or over 2,000 mph.

Before it can turn into blueprints and prototypes—let alone be used in commercial service—millions of dollars must be spent on research and testing. Part of this will have to come from U.S. taxpayers, many of whom will never get to fly in it. Part will have to come from banks, insurance companies, and stockholders of plane manufacturers already deeply involved in the present commercial jets.

The cost of each plane, at least in this country, may come as high as \$18-million or as low as \$11-million. The plane, itself, may not fly in airline service until the early 1970s.

And yet, this spring the industry is pouring forth a torrent of words, promises, and tentative plans for the craft. U.S. plane builders are already getting into position for the coming race—among them North American Aviation, Inc., Boeing Co., Lockheed Aircraft Corp., General Dynamics/San Diego (formerly part of the Convair Div. of General Dynamics Corp.), and Douglas Aircraft Co.

Inevitable. The center of all this excitement is a jet known as the SST, or supersonic transport. Before the first SST zooms the first paying passengers from New York to London in two and a half hours, so many hundreds of millions of dollars must be spent, so many years of hard work must go into the project, that the question is begged: Is it worth it? Worth it or not, the SST is practically inevitable.

If the world's airlines were all controlled by bankers, equipment purchasing might well have stopped with the DC-6B, one of the most profitable airplanes ever built. By now the 6B would have paid for itself and profits would be pouring in. Instead, airlines are controlled by men and by governments that are constantly trying to steal someone else's business without losing any themselves. The best way to do this is to fly the fastest plane.

If one airline, anywhere in the world, operates a commercially feasible SST, all the remaining long-distance lines will have to buy it; they can't afford not to, just as they couldn't afford not to buy today's jets. The same laws of competition

apply to the producers. The amount of business—and prestige—that will accrue to the manufacturer of the first such plane is too tempting to pass up. Since the British, French, presumably Russian plane builders are already going ahead, the U. S. cannot afford not to join the race.

Two necessities. Victory will not necessarily go to the swiftest, however. The SST has two basic requirements for success: It must be safe, and it must operate at a profit.

"We're not going to be selling tickets to a bunch of astronauts or asking for volunteers to be the first man in space," says one airline engineer. "We're going to be dealing with the public that wants to get from here to there at least as safely and probably more safely than in today's planes."

The economics of the SST will depend on solutions to problems some of which haven't even come up yet. Nevertheless, it is generally agreed that the cost of operating this plane, measured in terms of flying one seat one mile, must be no greater than the most economical of today's subsonic jets.

Shattering problem. The economics are still hazy because no one really knows with any exactitude what the SST is going to look like. The design of the plane hinges on all sorts of related problems.

For example, any plane that exceeds the speed of sound creates a phenomenon known as a sonic boom. Shock waves extend upward from the plane where they don't matter, and down to earth where they do. These waves can, and quite frequently do, break glass.

What's worse, after a certain speed the intensity of the sonic boom does not increase with the speed of the plane, but with its size. And the supersonic transports of the future will be behemoths. Obviously, the nation's airways can't be marked by a trail of broken windows.

There may be no solution to this problem; certainly none has turned up yet. It may be that these planes can fly only over water—making sure that all vessels keep clear. If this is so, the number of SSTs needed will be substantially reduced—perhaps to 150; the price per plane will soar; and so will total operating costs.

High fliers. The more optimistic think the way out is to fly very high—perhaps 75,000 to 80,000 feet, and to stay below supersonic speeds until most of this altitude is reached. But this will require a prodigious amount of fuel for a lot of inefficient flying at "slow" speeds. This, in turn, means bigger and more powerful engines—or perhaps more of them.

The sonic boom must be tamed so SSTs won't leave a trail of shattered windows.

To compensate for increased weight and operating costs, designers will probably increase cabin size to gain more seats and revenue. This adds still more weight, and starts the vicious circle over again.

Each change, of course, affects the seat-mile operating costs. Furthermore, putting more seats on a plane doesn't guarantee they'll all be sold. The industry is agreed that an improperly sized SST will be an economic disaster.

Changing shape. There's an even weirder unknown connected with the SST. If it is designed to fly efficiently at 2,000 mph., it probably can't be thoroughly efficient or airworthy when coming in for a landing at 120 mph. so it may have to change shape in mid-air (cartoon, page 46). This change, known in technical circles as "variable geometry," solves a lot of SST problems, but in doing so introduces a lot more.

If, for example, the wings extend straight out at slow speeds and fold to a swept-back angle for supersonic flying, it is most important that they move symmetrically. If they pivot, they will have to pivot on one point—probably one bearing—and this situation is anathema to designers and pilots.

There's a long list of other, equally serious problems connected with moving wings. But perhaps the entire situation was best—if laconically—summed up by a Pan American World Airways, Inc., engineer in a recent technical paper: "Much flight testing of variable wing geometry should be successfully completed," he said, "before this feature is tried in airline service."

The wings may not be the only part of the plane that changes shape as it goes through the sound barrier. Pilots will have to see to land and take off; but at 2,000 mph., it will probably be dangerous to have a windshield that might break from pressure or hailstones. Hence a metal cowling may have to slide down over the front of the cockpit.

Missing engine. Still another serious problem concerns the engines. Military planes capable of flying at comparable speeds have a device known as an afterburner. But this is far too noisy. Probably some sort of two-in-one engine will be needed. At low speeds and altitudes it will behave like today's jets; that is, whirling blades will compress the air in the combustion chamber. At cruising speed, air will be entering the engines so fast the compressor blades will be in the way and the engine will probably become a ramjet.

No such engine is available yet. Until it is, designers can't really make finished plans for the plane itself.

More familiar. If these are the important problems—the sonic boom, variable geometry, power plant, and the over-all economics—they are by no means all. But the others are reminiscent of the fears circulated 10 years before today's commercial jets started flying. With these the in-

Supersonic jets must learn to slow down without hurling passengers about.

dustry is more confident of solutions.

Can deadly overdoses of ozone and cosmic radiation at 80,000 feet be filtered out? Can an air-conditioning system that won't fail be developed? At 2,000 mph. the outside skin of the plane will reach 600F, and without air-conditioning the passengers and crew will be fried.

Metals will have to be used that can stand frequent heating and cooling cycles and high-intensity noise from the engines. Stainless steel or titanium will probably do the job, but years must be spent in testing.

At 80,000 ft., pressure failure in the cabin simply can't be tolerated. The best way of insuring against this, of course, is to have no windows. The industry, however, is agreed that this can't be the answer. Passengers almost have to see out, even if all they see is a star or two. When the plane is "doing things"—bumping in turbulence or banking steeply—passengers might panic if they were in only a metal cylinder.

Another unanswered question concerns turbulence at these speeds and altitudes. Yet another is: How do you slow the plane down at journey's end without sending the passengers flying through the cabin like projectiles? As one airline executive points out, "People aren't going to get strapped into "G" suits to go to Tokyo."

Fuel puzzles. Fuel raises some puzzling problems. At extreme heats that the SST will generate, there's danger of fuel decomposing. This certainly can't be permitted, nor can airlines afford to drain the unused portion after every flight. Oil companies are now working on a heat resistant, hydrocarbon fuel, but this may be 25% more expensive than today's jet fuel. This could throw the economics out of kilter.

There's also the matter of how

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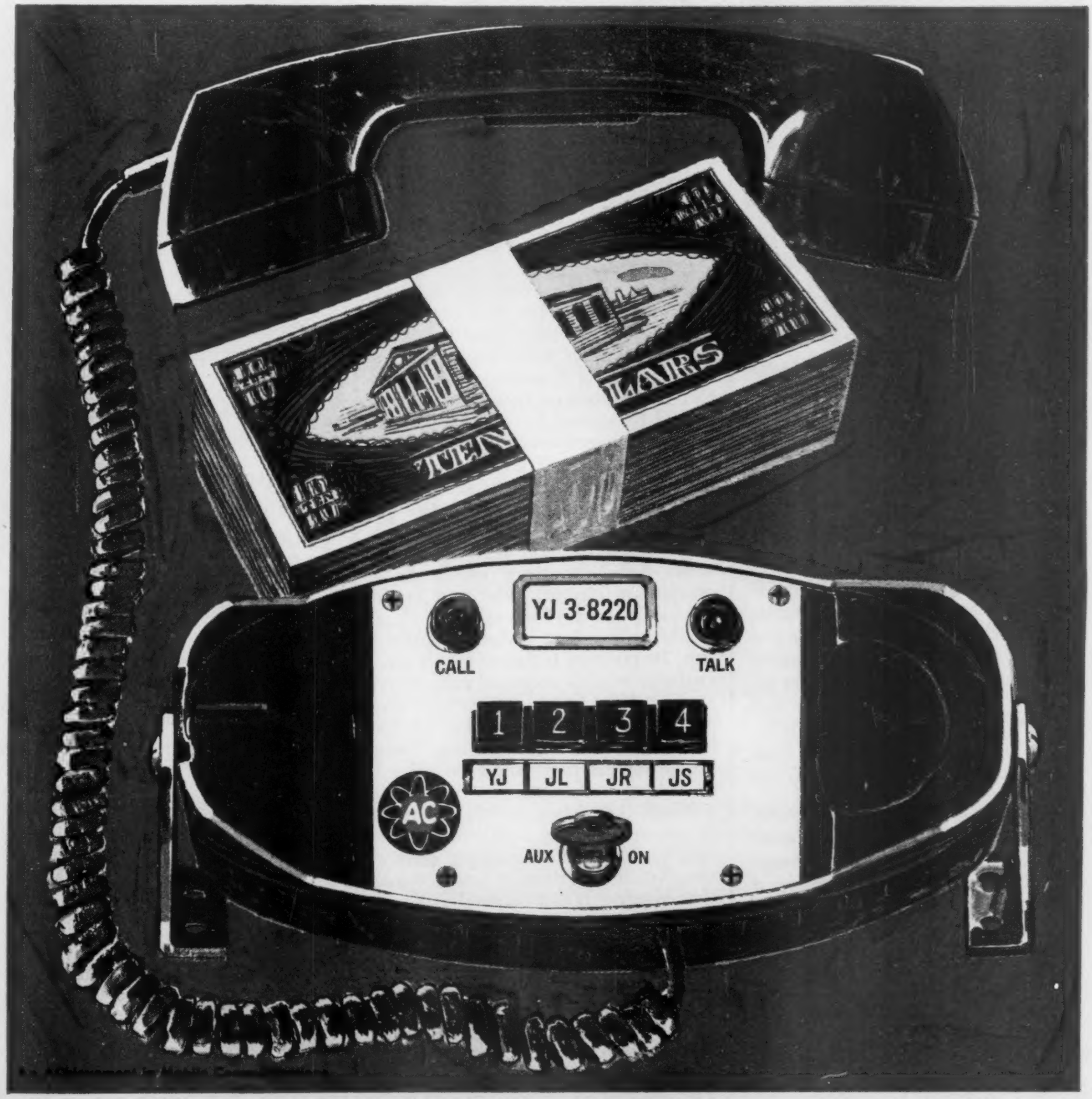

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much reserve fuel to carry, since every extra pound has such an important bearing on operating costs. Certainly something will have to be done about today's air traffic control, delays, and weathered-in airports. A transatlantic SST will probably have to have landing clearance in London before taking off from New York.

By stages. These are by no means all the problems, but they do serve to show the magnitude of the job to be done. In view of its size, many people are asking why U.S. plane builders don't proceed in easier stages; why we don't first build a plane to go twice the speed of sound instead of three times.

This is precisely what the British and French plan to do. Such a plane can be built of aluminum, its systems won't be nearly so complicated, its engines are already available. Even so, it will be enormously expensive, requiring years and years of operation to pay for itself. If, five years after it goes into revenue service, an airplane half again as fast becomes available, the first one will become a white elephant.

Controversy. So U.S. plane builders are agreed that the goal to shoot for is a Mach 3 jet. But that's approximately the only point that they are agreed upon. There's a lively controversy brewing among prospective SST contestants on how the program should be moved forward, and what role the government should play.

Douglas Aircraft Co. believes the government should subsidize the building of two or three prototype models of a commercial SST, which could be flown and tested exhaustively before cutting metal on a production aircraft. The cost could run in excess of $500-million.

North American Aviation opposes this. Its position is that the only government subsidy required and proper is about $80-million, for research and development to solve some of the nagging, hard-core problems. These are problems that won't be solved, or solved sufficiently by the B-70, a Mach 3 bomber North American is now building. Although the bomber can't be adapted for civilian use, North American Aviation thinks that in effect it can be used as a prototype program for the commercial SST.

Boeing takes a middle position. It favors a prototype program for SST, but it believes—as do most airlines—that at least two manufacturers should build different prototypes and compete with each other for orders. The companies should have a substantial investment in the prototypes, and "the government should keep

Passengers might draw the line at getting into "G" suits for a trip to Tokyo.

itself removed from technical direction of the project."

General Dynamics thinks that because of the risks and costs, the rate of return is unattractive to private capital, and government financing will be required for development.

Government view. In other words, to a greater or lesser degree the manufacturers insist on public support. What does the government think of this?

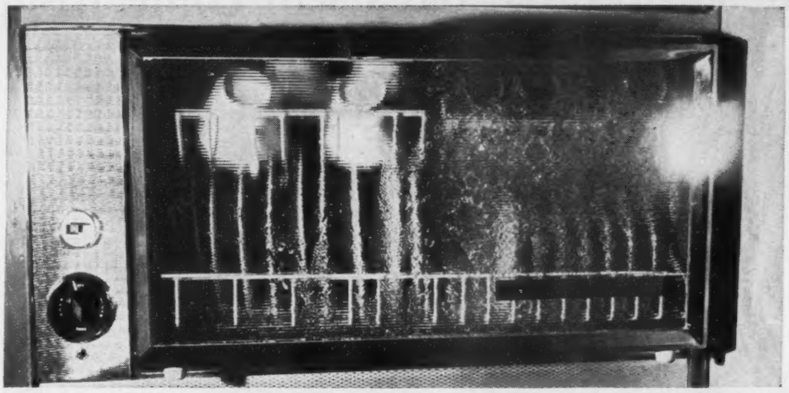
Najeeb E. Halaby, head of the Federal Aviation Agency, told a House appropriations subcommittee the government wants to let two research contracts to engine manufacturers, and one to three contracts to airframe manufacturers. The agency would insist, he said, that manufacturers put in their own money as a condition to receiving an award.

"We will get the results of these studies together with the military work that is already under way, and we will then reach a conclusion as to whether this makes sense and how much it will cost," said Halaby.

Once this conclusion is reached, probably in 18 months or two years, the government would put up some development money, the manufacturers would put up some more, and the purchasers would agree to reimburse the development costs in the purchase price.

This may well be the only way to finance and build the plane, but airline men fear too many people would be involved. "There never has been a successful plane built by committee," said an airline executive this week. "If this ship is the result of a lot of experts compromising, it won't be a safe, profitable SST at all; it will be a clunker." **End**

Assembly line starts to roll; Ling-Temco expects sales of 70,000 units in 1961.



Machine uses unique "wall of water" technique to scrub dirt from dinnerware.

NEW PRODUCTS

New concept in dishwashing

Ling-Temco unveils new type of automatic home dishwasher that is spearheading its drive to capture a major part of the highly competitive white goods market

This week, Ling-Temco Electronics, Inc., invaded the highly competitive and soft-priced major white goods market, with a new type of home dishwasher (pictures)—the first of a string of white goods it plans to offer to the public. The new washer, redesigned from a model previously made by James Industries, Inc., sports several features unique in automatic dish scrubbing:

▪ The washer can be mounted above, below, or on the counter—or in the wall. It can be used as a portable or placed on poles and used as a room divider. Other dishwashers are mainly below-counter units.

▪ The dishes are washed a new way, using a "wall of water" technique that was part of a patent Ling-Temco bought from James last fall. Where other dishwashers use a spray or "lawn-sprinkler" action to clean the housewives' wares, Ling-Temco's washer has a motor-driven impeller blade that hurls a cascade of water—about 100 gal. per min.—against the dishes. After this dousing, the dishes get a 12½-min. steam bath.

▪ For maintenance, the motor, pump, and electrical gear can be removed in one compact module. The repairman merely yanks the old module out and puts a new one in. Then he can repair the defective part at his leisure. Other machines must be repaired on the spot.

Besides its flexibility, the Ling-Temco washer is also compact, a fact that should lure new home

builders. Depending on the particular model, the washer is 30-in. long, 15-in. to 18-in. high, and 13-in. to 23-in. deep. The smallest model, carrying a suggested price tag of $199.95, will take a place setting of six; the roomiest model, at a suggested price of $279.95, can scrub 15 place settings.

Into production. This week, Ling-Temco's assembly line was in its final shakedown, and commercial shipments had already started. About 50 units have been produced, with 1,000 others now on the line. Ling-Temco is forecasting sales of 70,000 units in 1961 and 300,000 units in 1962.

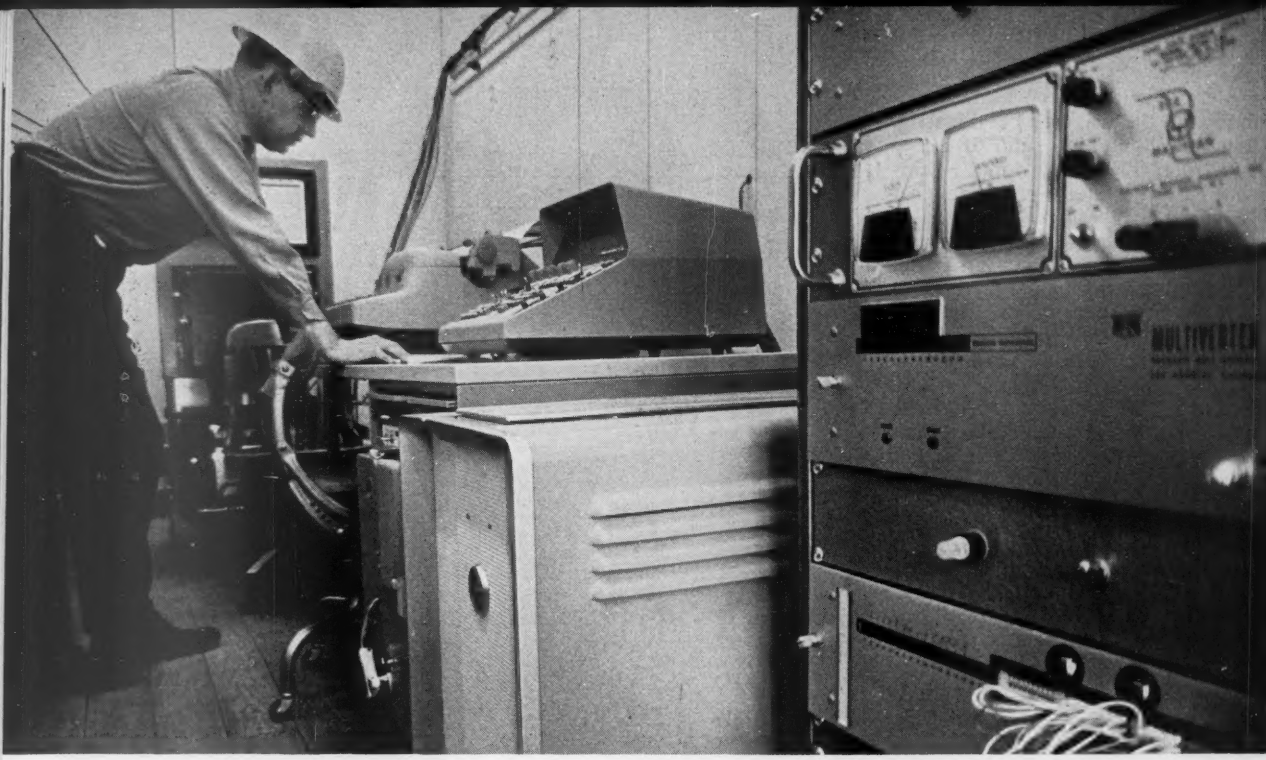
These 300,000 units would represent a major block of the country's total dishwasher production. In 1960, according to a Ling-Temco study, only 562,000 dishwashers were turned out. Ling-Temco feels there's room in the market for many more.

Distribution. The Ling-Temco washer will be handled by a national sales organization made up of 18 sales representatives covering the country. These salesmen will sell to distributors. Eleven have signed up so far, with another 50 or so expected on the rolls in the next 30 or 40 days. The distributors will be department stores, appliance stores, kitchen planners, remodeling contractors, home builders, and the like. Some of the distributors recruited include Macy's, and Abraham & Straus in New York; Marshall Field and Carson-Pirie-Scott in Chicago.

Part of a pattern. This is not Ling-Temco's first crack at hard goods. On a contract basis, it makes a coin-operated washing machine. It also makes a "go-cart" and the Temcomatic, a central control system for coin-operated laundries.

Turning out the new washer is Temco Industrial Div., which was merged with Ling, as a company, last summer; it expects to do about $30-million in business next year. That's up from a projected $6-million this year. The dishwasher is expected to account for about $10-million; the Temcomatic, $2-million; the washing machine, $3-million; and a "new product line," $15-million. The latter will include a garbage disposal unit coming out this year, and other "white good" and "non-white good" consumer items.

Recently, Ling-Temco acquired Ed Friedrich, Inc., a Southwestern manufacturer of air conditioners, refrigerated display cases, and central air conditioning units. This acquisition puts the heavily defense-oriented company into position to expand deeper into consumer products. **End**



Engineer reads print-out on Phillips Petroleum's Recomp II computer, housed in trailer (picture at right).

Computer goes to job on wheels

Phillips Petroleum likes the flexibility of mobile computer for analyzing refinery processes. Unit may boost output of one plant by $1-million

You generally think of a computer as being housed in an austere laboratory-type room, remote from the industrial bustle. In contrast, the computer that's being put to work at Phillips Petroleum Co.'s Borger (Tex.) refinery is being wheeled into the midst of the plumbing.

This computer is vital cargo in the trailer truck in the picture, along with racks of automatic analyzers, recorders, and special-purpose data converters. Equipment in the truck, parked alongside the big catalytic cracker, cost more than $175,000. Its job: to wheedle more product out of the 13-story-high refining unit.

As computers go, this one is only medium-sized. It's installed in a trailer so that Phillips can experiment with it at various plants. A similar computer in the same trailer last year took part in a highly successful experiment at Phillips' Sweeny (Tex.) plant, where it was hooked up to an ethylene processing unit for process analysis.

Big potential. Because the cat cracker at Borger handles 70,000 bbl. of product per day—$30-million to $40-million worth per year—Phillips engineers expect a big payoff if the computer can tune the unit ever so slightly. A mere 1½% improvement in productivity, for example, would yield around $500,000 a year in added product.

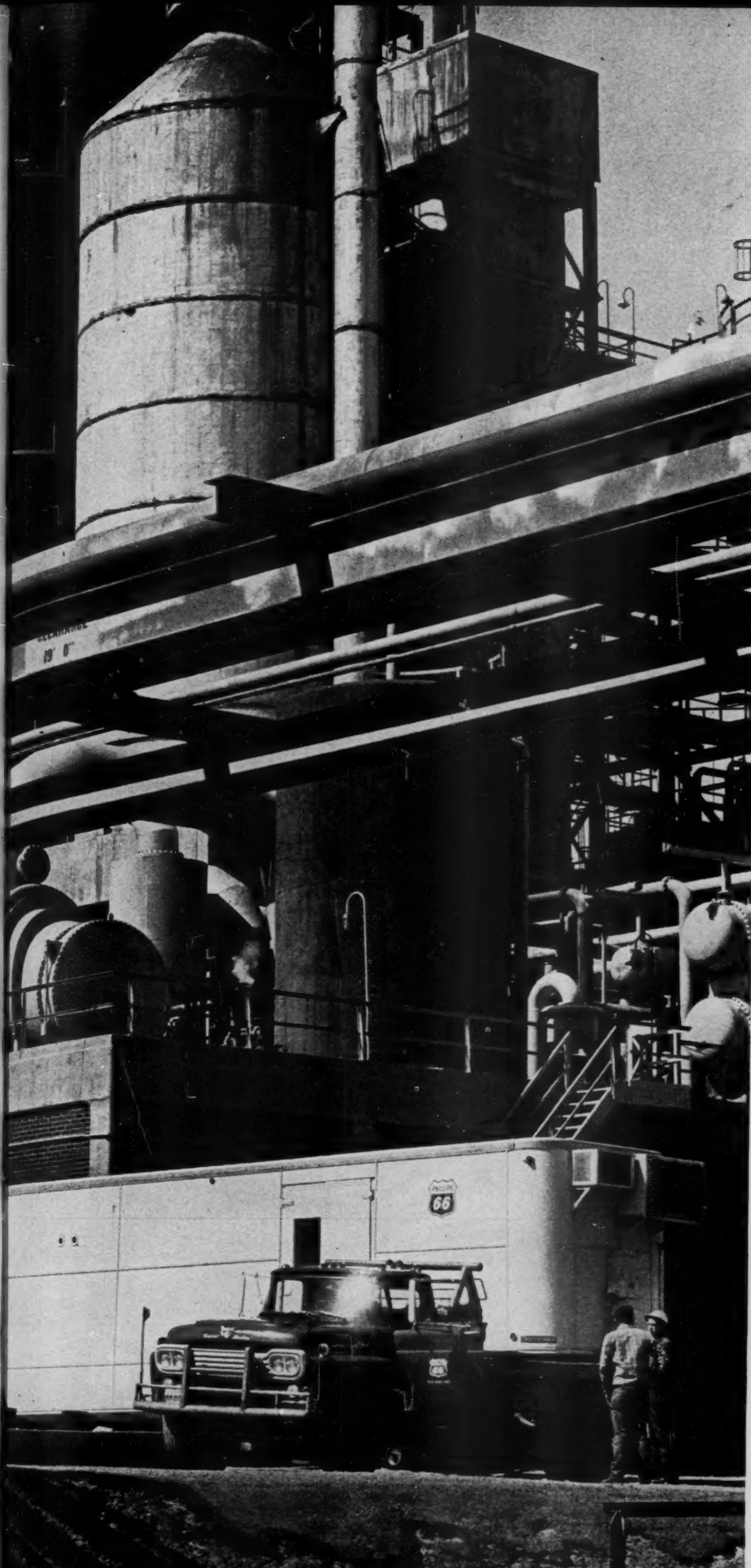
T. C. Wherry, head of Phillips' instrumentation and automation division, which operates the computer on wheels, hasn't announced any goals. But he is confident of doing considerably better than a 1½% improvement in the cat cracker.

The trial at Sweeny last year produced the most startling results the industry has yet seen from computer control of processing. The computer, a Recomp II that was leased for $2,495 a month from Autonetics Div. of North American Aviation, Inc., was used first with its accessory equipment to analyze the plant's operating characteristics, then to help figure out better ways of operating.

Eventually, the computer operated the plant under closed-loop control right from the trailer, which means it made all necessary control adjustments in response to the data it collected and evaluated.

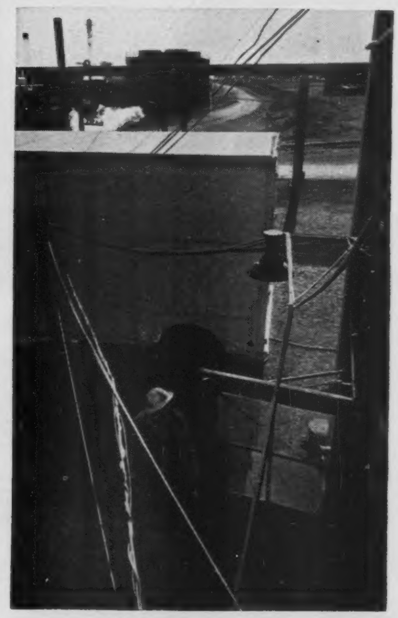
Artistic success. The trailer-borne computer was at Sweeney for about five months. Results were spectacular: a 16% increase in production. Yet Phillips shipped it back to North American. The industry buzzed with rumors that the company had tried closed-loop computer control and found it wanting.

Last winter, the whole story came out in a Phillips engineering report. Far from being a flop, the computer trial had been a resounding success. But of the 16% improvement in production, the engineers deemed that 10 points were attributable to permanent improvement based on what



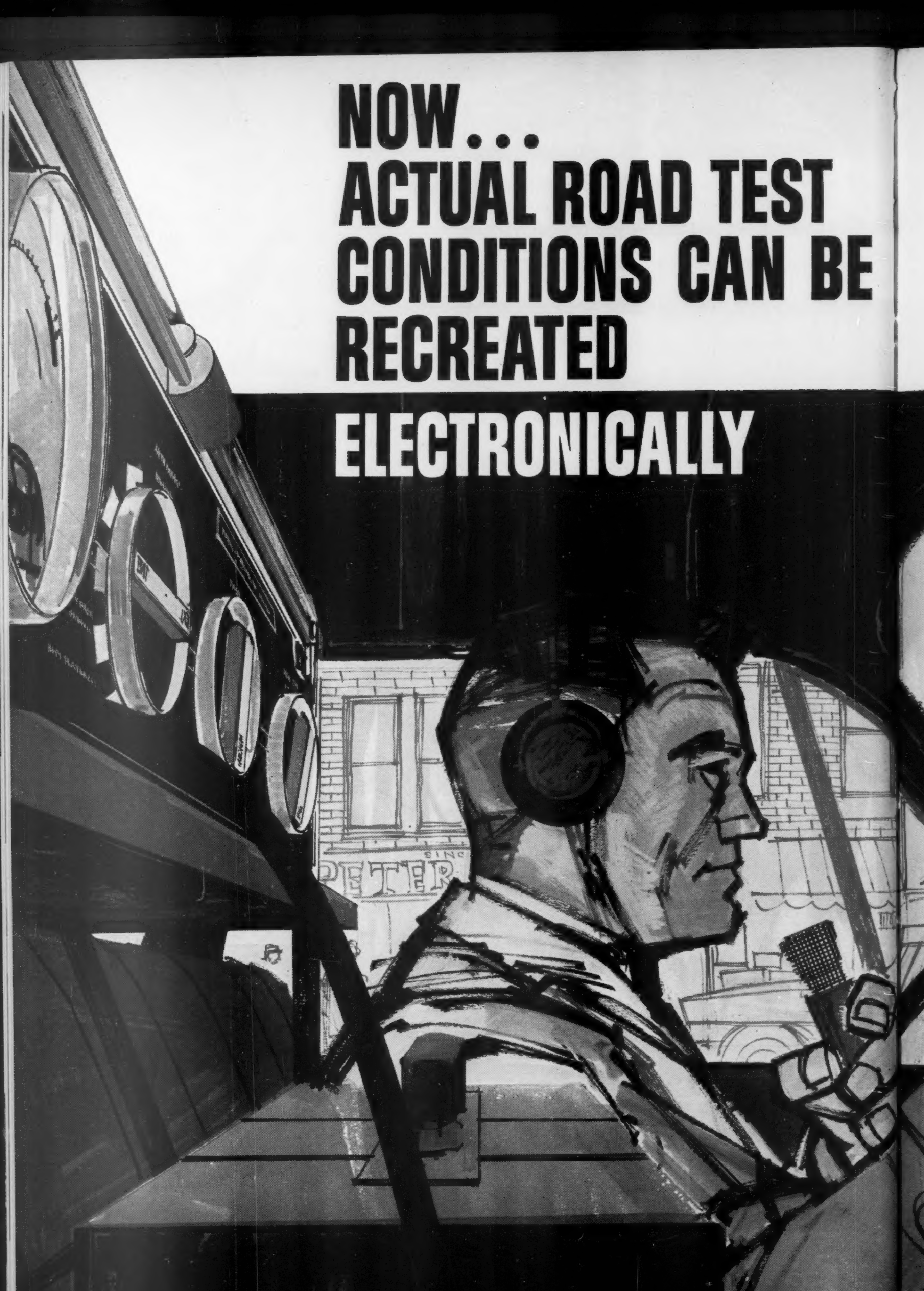
Computer on wheels stands by cat cracker a block square, 13 stories high.

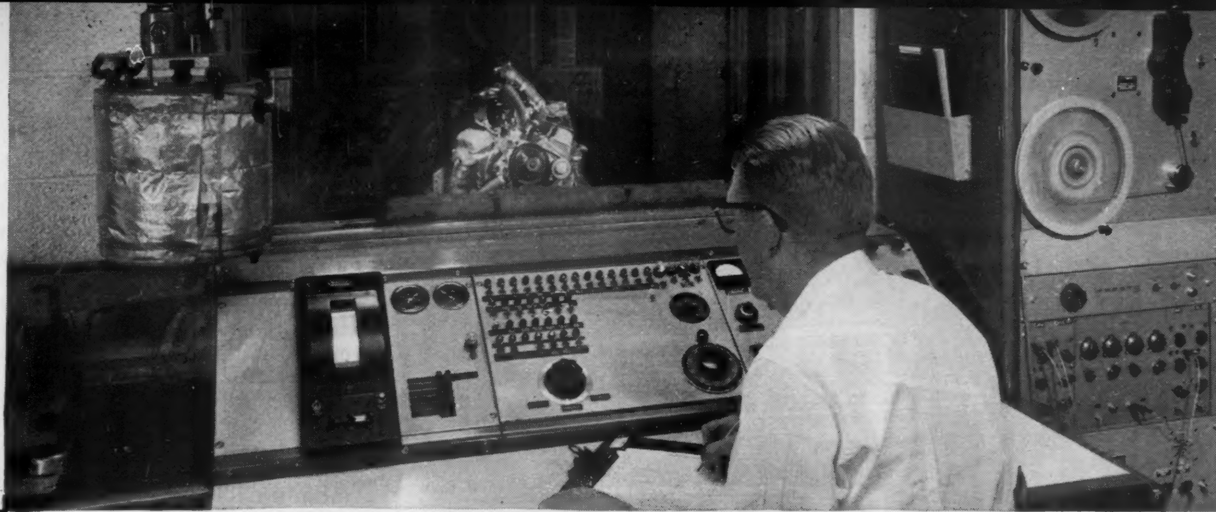
Cable runs down from cracker . . .



. . . to the instrument-filled van . . .

. . . to produce invaluable data


NOW...
ACTUAL ROAD TEST
CONDITIONS CAN BE
RECREATED
ELECTRONICALLY



■ New Perfect Circle road test simulator records engine performance for playback in dynamometer testing

No two road tests are ever exactly alike because of variations caused by weather, traffic and driver habits. But now, with Perfect Circle's new electronic programing system, engines can be given a series of identical road tests—right in the laboratory!

First, a master road test is recorded on magnetic tape—with a taxi in city traffic, or a truck on a turnpike . . . perhaps a tractor in a field. Throughout, the Perfect Circle Road Test Simulator electronically records a variety of engine conditions: RPM, manifold pressure, oil and coolant temperatures. These actual operating conditions can then be duplicated time after time in test engines on laboratory dynamometers. Since the units being tested are the only variables, comparative results are much more informative than ever before possible.

The Perfect Circle Road Test Simulator is now being used at several of America's leading research facilities to achieve better engineering, faster and at less cost. This ingenious new product is one of many devices conceived and developed by Perfect Circle to accelerate research and testing programs.

For products of the future, for products with a future, look to Perfect Circle—partner in progress with the automotive industry for over 60 years.

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the computer revealed about process variables. This 10% gain could be achieved merely by continuing to apply these lessons.

The remaining 6% improvement in output gained by using the computer's fast reflexes actually to run the plant wasn't enough to pay the machine's rent. So back went the computer, covered with glory but still without permanent adoption papers.

But the instrumentation and automation group that Wherry heads had little difficulty in persuading Phillips management to underwrite another computer safari with its sights on much bigger game—the cat cracker, where a couple of percentage points mean a million dollars.

That's why the van is now parked at the cracker and why, for the past few months, crews have been busy stringing special wires and tubes from 130 measuring points in the intricate bowels of the plant.

Five goals. Wherry says he has five objectives at Borger:

1. To determine the extent, frequency, and cost of so-called processing disturbances, which are chain reactions of maladjustments that waste raw material and temporarily cause loss of product. The familiar visible symptom is a fiery eruption and belch of black smoke from the refinery stack. Better control should cut down the number and duration of such disturbances.

2. To establish more precise mathematical relationships between the controls and profitability at various operating conditions.

3. To improve techniques and measurements. Already, at Borger, Wherry's men have found they get a far more significant measurement by taking samples from a different point in the product stream.

4. To evaluate all the new methods of operation that suggest themselves during the experiment, and

5. To pick the ones that look most promising and try them out on an extended run.

Justifying computers. These goals are much the same as those of other systems engineers who are trying computer control at permanent installations, such as Texaco, Inc.'s refinery at Port Arthur, Monsanto Chemical Co.'s ammonia plant at Luling, La., and a dozen other places (BW—Nov.5'60,p50). But Phillips is making its test without the financial commitment of a permanent installation.

To the chagrin of some computer manufacturers, Phillips is still waiting to be shown that use of big general-purpose computers to run plants isn't using a cannon to shoot mice. Wherry is confident that temporary

use of a medium-sized computer will point the way to the best type of control: a big permanent computer, a smaller special-purpose unit, or no computer at all. For the studies, he thinks he'll always need a peripatetic computer, though he changes the trailer's equipment to suit each job.

The computer in Phillips' van at Borger calculates data about the product every 15 minutes; this is close to so-called real-time computing, in which analysis and calculation is virtually simultaneous with the changes in the process. By August or September, Wherry expects to be ready to try closed-loop control.

According to William E. Barr, assistant chief process engineer at the refinery, it costs only a few hundred dollars more to try out full closed-loop operation, once the computer and its satellite equipment have been set up for monitoring and analysis.

Going on wheels. More computers and other data-processing equipment will soon go on wheels. Phillips itself is preparing a second trailer with a computer. "Several more vans are likely to be equipped," says Wherry. His group is looking at possible uses of computer analysis at a dozen or more Phillips plants; the Borger staff suggests half a dozen units right there could benefit.

Other companies are also joining the computer caravan. Shell Chemical Co. Div. of Shell Oil Co. is assembling a data-logging trailer, with a computer from Packard-Bell Electronics Corp.; Beckman Instruments, Inc., says it has delivered a mobile data-logging unit to one chemical company and is working on others; Monsanto last year ordered a trailerful of highly sophisticated logging and analytical gear.

Winning acceptance. An obvious problem might be resentment of the computer engineers on the part of local plant operators, who feel they know how to run their plants and might look bad to top management if any radical improvement came about when home-office engineers tinkered with their equipment.

Phillips minimized the problem by having its instrumentation crew from the start work closely with the operating management. Local crews did the necessary wiring in the plant. The visiting experts from headquarters in Bartlesville, Okla., stick pretty close to their trailer, try not to get underfoot in the control room.

G. E. McKenna, manager of the Borger plant, says he's delighted to have the computer unit at his site. He feels the tests are almost certain to enhance profits from his operation. And that, after all, is his prime objective. **End**

In production

BW

Papermaking machines get new wire mesh "conveyer" belt that promises to cut production costs

For over a century, most paper producers have been using the same basic piece of equipment, a "Fourdrinier"-type paper machine, and struggling with the same basic problem—the short life expectancy of a special "conveyer" belt needed in the machine. The "drain-through" belt—woven from strands of phosphor bronze or nickel-plated phosphor bronze—carries wet paper pulp and residual acids. And the wear and tear from these materials, plus the endless flexing of the belt, cuts belt life down to only a week or so. This means costly inventories of spare belts and costly shutdowns when the belt is replaced.

Now, Tyler Wayne Research Corp., formed by W. S. Tyler Co. and Fort Wayne Metals, Inc., has a new "composite" stainless steel wire belt that has operated without breakdown as long as 102 days. One paper producer, which averaged 86 days with Tyler Wayne mesh, says the belt cuts costs in this phase of papermaking down from 70¢ a ton to 22¢.

The new Tyler Wayne belt has been tested in corrugated and structural paper production. Prototype belts are now being tried in the production of newsprint and other finer-grade paper. Each finished strand of the wire consists of six stainless steel strands wrapped around a phosphor bronze core. This composite is drawn through diamond dies and annealed so that it forms a single strand.

Tyler Wayne says the average "composite" belt costs about $3,500, depending on the size of the papermaking machine. That compares with $1,400 to $1,800 for plated or regular phosphor bronze mesh.

Plant under construction in California will purify million gallons of sea water daily

Construction has begun on the country's largest multi-stage flash-evaporator plant for converting sea water into fresh water. **The new plant, being built at Point Loma, Calif., by Westinghouse Electric Corp.**, will have a daily output of 1-million gal.

In the plant, heated sea water will be sprayed, under pressure, into a series of low-pressure, low-temperature chambers. In each chamber, part of the salt water will "flash" into vapor, which will then be condensed to produce water that is almost free of impurities.

The plant is slated to be completed in November.

Two companies join forces to produce beryllium oxides from Utah clays

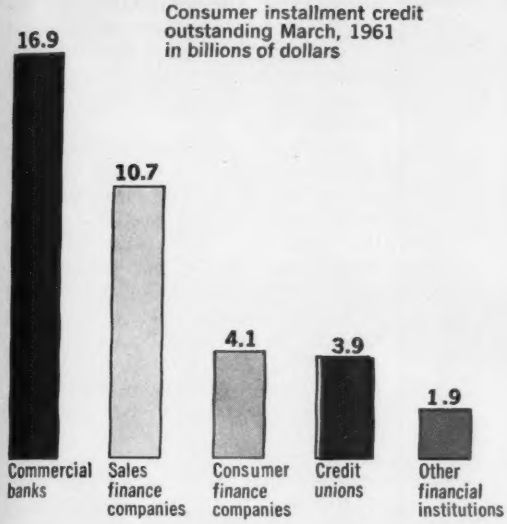
United Technical Industries of Salt Lake City and Beryllium Corp., a large beryllium metal producer in Reading, Pa., announced plans this week for a joint venture to mine beryllium-bearing clays on UTI properties in Utah and refine them, in commercial quantities, into high-purity beryllium oxide, using a new UTI beneficiation process.

The two companies won't talk details, except to say that clays, rather than the more conventional beryl ore, will be the source of the beryllium oxide. Brush Beryllium Co., the other of the two major beryllium metal producers, claims it can also produce beryllium oxide from these clays—but only on a laboratory scale. As yet, Brush has not announced plans for a commercial plant.

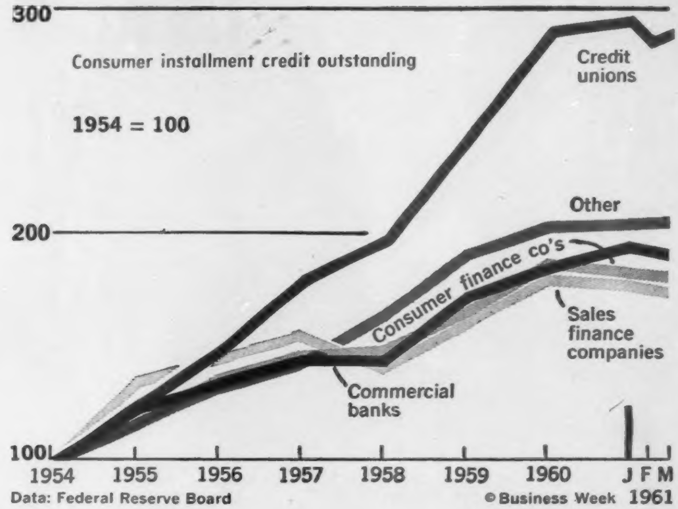
The joint venture's first plant is nearing completion in Delta, Utah.

Credit Unions

still small...



but growing fast



FINANCE

Giving banks a run for money

Credit unions have grown in size as well as number, and bankers are viewing this with alarm. Competition by banks is getting hotter, more direct, less complacent

"By next December, there'll be more credit unions in this country than there are commercial banking offices." This comment, from an envious New York banker, is provoked by their explosive growth.

In the past five years alone, credit union membership has jumped from 9-million people to well over 12-million; credit union assets have increased from \$3.3-billion to \$5.6-billion; and outstanding loans now exceed \$4.3-billion, compared with \$2.3-billion in 1956.

What's more, as the charts above show, the credit unions' growth rate, admittedly starting from a low base, has been much faster than that of any other consumer lending institution. As a result, the credit unions have steadily boosted their share of outstanding consumer credit. They had 6.3% of consumer installment debt in 1956; they have 9.3% today.

Thorn in side. Obviously, such tremendous growth poses a big competitive problem for bankers as well as other consumer lenders. The credit unions have long been a thorn in the side of the banking fraternity, but it's only recently that bankers have started trying to do something about them.

The answer generally has been to start "in-plant" banking facilities that offer the same services as a credit union, and to offer other facilities—such as checking accounts—that credit unions, by law, can't provide.

But the sharpening competition from commercial banks hasn't had any noticeable impact on over-all growth of credit unions and many bankers are beginning to be seriously concerned.

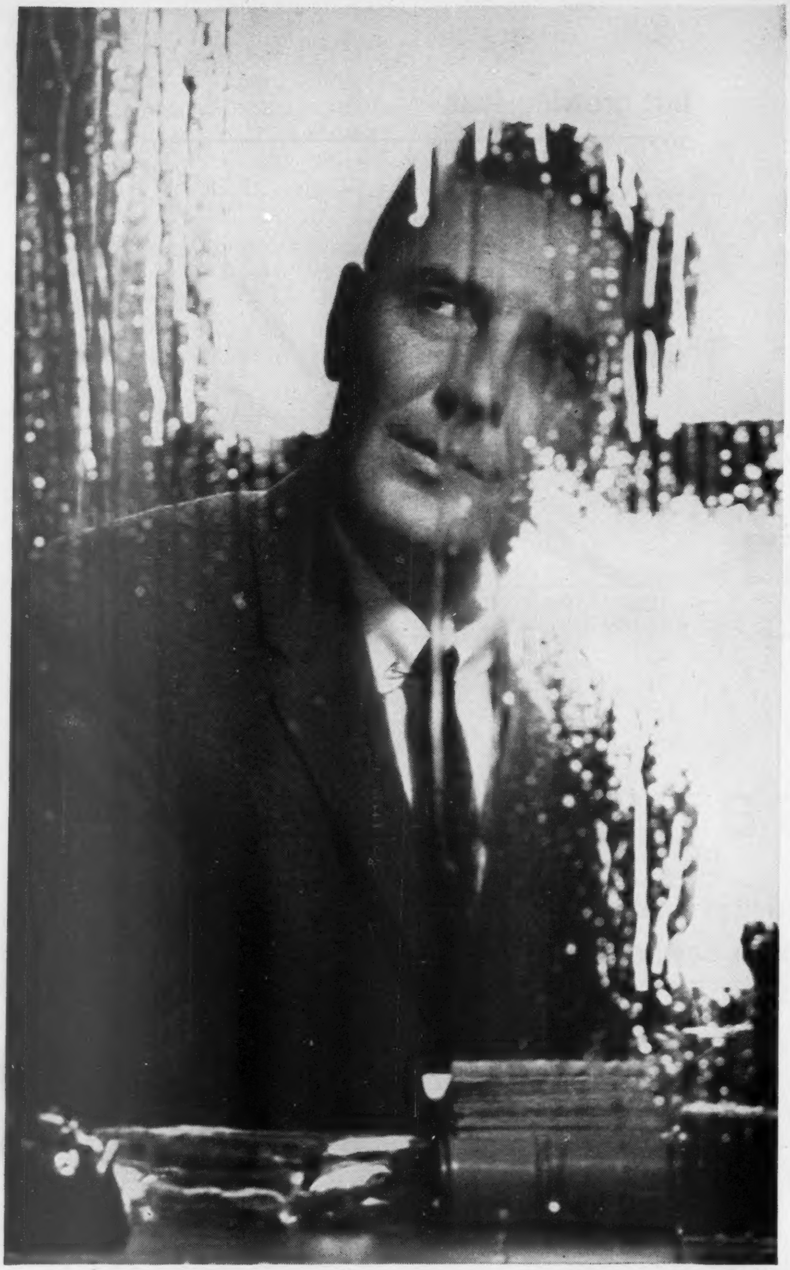
They're pressing for tighter controls—including stricter chartering requirements—as well as some taxation for the credit unions.

What they are. The Bureau of Federal Credit Unions defines them as "cooperative associations to promote thrift among their members and create a source of credit for provident and productive purposes. Membership is limited to a group of persons having a common bond of association, occupation, or residence." This concept is the same as that on which savings and loan associations were founded, in that the members pool their savings to provide credit facilities for themselves.

But in contrast to the savings and loan associations, which deal only in the housing field, credit unions have always emphasized consumer credit, making small loans for purchases of durables or to pay off bills. In their early days—the first U. S. credit union was organized in 1909—credit either was unavailable to the blue-collar worker or was available only at a prohibitively high cost.

This is still a factor in credit union thinking. H. Vance Austin, managing director of Credit Union National Assn., has defined the "main goal" of the credit unions as "ridding the world of unscrupulous money lenders and loan sharks."

Operating advantages. The missionary zeal of credit union leaders



has not been the main source of credit union growth. The fact is that the unions enjoy numerous operating advantages. Under U. S. law, they're classed as "non-profit cooperatives" and are completely tax exempt. Moreover, they usually get free office space—from the company where the credit union is organized—and their members often contribute free labor.

The result is that credit unions are able to pay rates for savings that are among the highest in the country, while charging rock-bottom rates on the loans they make. According to the Bureau of Federal Credit Unions, the net income of the typical federally chartered credit union amounts to 60% of its gross revenue.

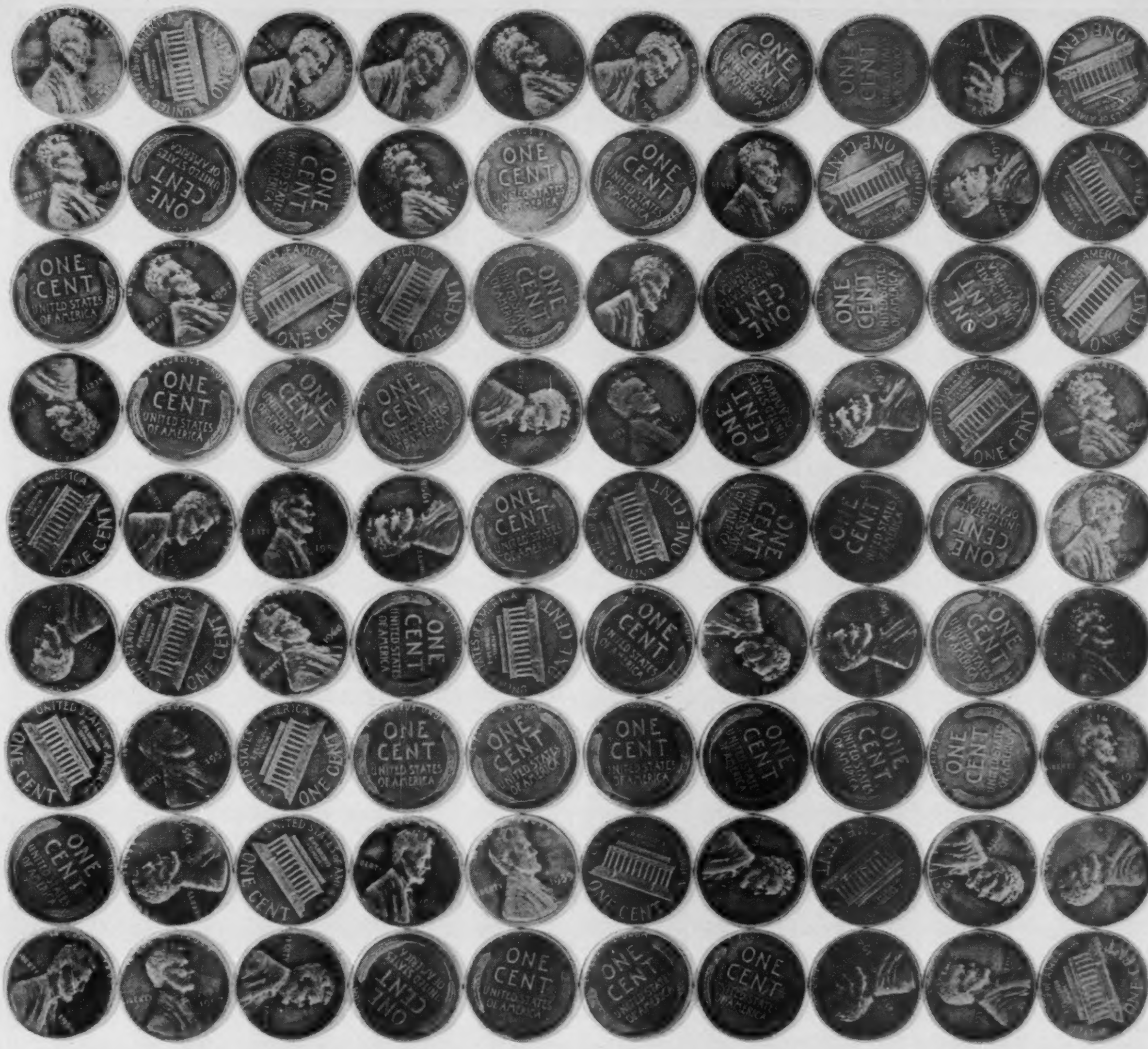
Growing and changing. As the credit unions have mushroomed, however, their character is changing. The big credit union today is a far cry from the tiny "self-help" associations that once were the rule. Take, for example, the Detroit Teachers Credit Union, which claims to be the largest credit union in the world. Currently it has assets of over $26-million, 18,000 members, and more than 12,000 loans outstanding. It takes in new money at the rate of about $750,000 a month.

In addition to conventional credit union lending, Detroit Teachers is also getting heavily into real estate mortgages. The interest rate on real estate loans is 6% a year on the average unpaid balance, and the credit union picks up all the cost of insuring the life of the borrower for the unpaid balance of the loan.

Branching out. Real estate mortgages still amount to only about $350-million of the $4.3-billion total lending by credit unions. (Federally chartered credit unions are barred from real estate loans, as are state-chartered units in many states.) But credit unions are continually broadening their horizons. A few credit unions have even made out-and-out commercial loans—in one case, a loan reportedly ran as high as $300,000.

The credit unions also have been branching out in the insurance field. Credit Union National Assn. controls the CUNA Mutual Insurance Co., one of the largest writers of credit life insurance in the country, and the Michigan Credit Union League recently bought control of the League Life Insurance Co. in Detroit.

In addition, according to Rudolf Modley, publisher of a newsletter on credit unions, some credit union men want to move into fields, such as checking accounts, that still are the exclusive province of the banks. **End**



If your product is worth $1.00 per pound...

maybe it can cost 9½¢ a pound less

Today, manufacturers of everything from automobiles to zippers are using air freight as their regular method of distribution or procurement . . . and saving up to 9½ per cent of their product costs.

The savings are due to the fact that these manufacturers have been able to reduce or eliminate branch warehouses and to reduce inventories which are an important part of the cost of physical distribution.

Regular shipment of goods by air can save *you* money and time . . . *if it can reduce your physical distribution costs.*

The question is this: can your plant or branch inventories, with consequent multiple costs, be reduced?

The answer may well be "Yes" . . . since shipments by United Air Lines jet freight can actually provide same-day delivery coast to coast.

To see how you can profit from this new "distribution" concept, call your local United Sales Office or write United Air Lines, Cargo Sales Division, Dept. B-106, 36 S. Wabash Avenue, Chicago 3, Illinois. Ask for United's "Air Freight Profit Analyzer."

UNITED

THE EXTRA CARE LINE

In finance

BW

New York court rules life companies can invest in fire and casualty business

Insurance men predict a new wave of competition as a result of a decision by New York State's Court of Appeals that gives out-of-state life insurance companies the right to acquire fire and casualty companies.

Until now, the state's insurance authorities have forbidden life insurance companies—in or out of New York—to invest in fire and casualty companies doing business in the state on the ground that it was too risky. However, fire and casualty companies were permitted to acquire life companies operating in New York.

Connecticut General Life Insurance Co., an out-of-state company licensed to operate in New York, challenged the law in 1955 by attempting to acquire 80% of National Fire Insurance Co. of Hartford. Two lower courts supported the state's stand, but the Court of Appeals, by a 4-to-3 decision, ruled in favor of Connecticut General. It pointed out that **it was just as likely for a fire and casualty parent to feed on the assets of a life insurance subsidiary as for a fire and casualty subsidiary to feed on the assets of a life insurance parent.** It went on to lay down two rules for an acquisition by an out-of-state life insurance company: (1) It must have enough admitted assets to support its life insurance activity; (2) fire and casualty operations must be carried on by a separate subsidiary.

Connecticut General, which had dropped its plans to acquire National Fire when it appeared that it would lose its New York license, and other out-of-state companies are expected to go after fire and casualty companies, countering the competition from fire and casualty outfits that have been getting into life insurance. At the same time, life insurance companies based in New York will be pressing for a change in the law to put them on an equal footing with out-of-state companies.

Utility company seeks tax savings by selling debentures instead of preferred stock

This week, in routine fashion, Pennsylvania Electric Co., an operating utility in the General Public Utilities Corp. holding company system, sold a $12-million issue of unsecured debentures. While the transaction came off without a ripple, it represents a significant shift in financial policy for GPU—one that is being watched with interest by utility men across the country.

GPU has decided on a basic shakeup in the capitalization both of the parent company and its operating subsidiaries. The capitalization now consists of common stock, preferred stock, and mortgage bonds. GPU wants to eliminate the preferred stock, and substitute debentures instead. The reason is simple: interest paid on the debentures is a tax-deductible expense, while preferred stock dividends are not.

As a first step, GPU has stopped all sales of new preferred stock. Next, GPU intends to call for tenders of its outstanding preferred stock—totaling $83.5-million—and may possibly offer to swap debentures for preferreds.

The only drawback to this scheme is that if the percentage of debt in GPU capitalization goes up too high, it may mean a lower rating on GPU bonds. According to Louis Brand, chief bond rater for Standard & Poor's Corp., "After all, the interest in debentures is fixed, whether they earn it or not. With a preferred stock, you can always pass the dividend if you have to and it won't get you into trouble."

Republic Corp. to extend diversification by merger with holding company

Republic Corp., which went out of movie-making four years ago and has been diversifying ever since (BW—Feb.18'61,p59), is still spreading its wings. In three to five months, according to Pres. V. M. Carter, it will merge with **America Corp., a diversified industrial holding company, with sales of $31.4-million in 1960 and earnings of $1.3-million.**

The first step in the merger was accomplished last week when America Corp. purchased 265,420 shares—worth some $4.3-million at current market values—of Republic from Carter himself. As a result, America is now the largest single stockholder in Republic, although Carter still owns about 50,000 common shares, 30,000 preferred shares, and $1.2-million worth of debentures. **Carter says that details haven't been worked out yet, but that Republic will be the surviving company and that he intends to remain as chairman.**

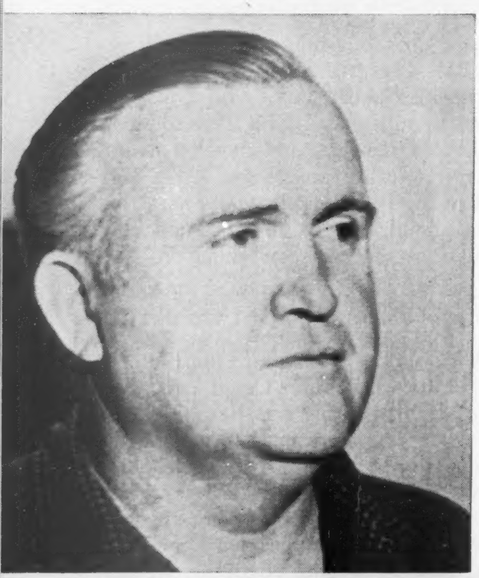
Finance briefs

Electric Bond & Share Co.'s long-range industrial diversification program (BW—Apr.8'61,p104) is beginning to take shape. This week, Electric Bond's directors put $10-million into a new subsidiary, EBS Development Corp., that will "acquire, manage, and develop manufacturing and other non-utility businesses." A. A. Talmadge, vice-president of the new subsidiary, says that "we aren't ready to announce anything just now, but we've got four situations that we're working on."

A new combination between Wall Street and European investment banking houses was formed last week by Kidder, Peabody & Co. and Compagnie Financiere de Suez, the former operator of the Suez Canal and now a leading investment company in Europe's Common Market. They agreed to cooperate in finding—and developing—new business opportunities for American and European enterprises. They also hope to bring out new risk capital ventures—in the U. S., Europe, and eventually in Africa and other areas. A spokesman for Kidder, Peabody adds that "there's a definite possibility we may set up a joint subsidiary, with its own capital funds, to do international investment banking."

Joseph Curran, NMU chief, makes new demands on shipowners.

Ralph E. Casey, head of the Committee for Companies & Agents, owners' group.



Paul Hall, president of Seafarers' International, wants foreign-flag pacts.

LABOR

Rival unions agree on foreign-flag issue

Maritime unions demand contracts covering ships that have U. S. owners but sail under foreign registry. Supreme Court backs up this kind of jurisdiction

With time running out toward a June 15 contract deadline, shipowners and maritime unions are looking at a new negotiating issue: union demands for contracts covering foreign-flag ships of companies that already operate their U. S.-flag ships under union contract.

Obviously, shipowners switch their vessels to foreign registry largely to free themselves from union labor costs. So it might seem unrealistic of the unions to expect them to bargain away this freedom.

However, rulings all the way up to the U. S. Supreme Court have extended the jurisdiction of the National Labor Relations Board to crews of foreign-flag ships that are owned by U. S. companies and serve U. S. ports.

Extended coverage. It now seems likely that the owner of foreign-flag ships will be bound by the same obligation to submit to an NLRB representation election and to bargain with the union as any U. S. employer engaged in interstate commerce.

The choice before the owner of foreign-flag ships may be whether to accept a union voluntarily and sign a "reasonable" contract or to risk having a union legally forced on him, with the sort of tough contract that usually follows a fight.

Thus, the unions are encouraged to push the issue. Rival leaders Joseph Curran (picture, top left) and Paul Hall (bottom left) have agreed on this point. Curran's National Maritime Union made the demand last week in meetings with Atlantic and Gulf shipowners, and Hall's Seafarers' International Union made a similar demand this week through the non-union National Committee for Maritime Bargaining. NMU and SIU represent unlicensed seamen, but their allies in unions that represent ships' officers and specialists take in the rest.

Thousands involved. It's hard to get a line on exactly how many owners are affected by the foreign-flag issue, or how influential they will be in the industry's councils during contract talks. But an estimated 475 ships, mostly tankers, seem to fit the definition, out of a total of 530 ships on the Maritime Administration's list of foreign-flag vessels "under effective U. S. control." The rest of the 530 don't have owners who also own U. S.-flag ships under contract with the AFL-CIO unions.

Estimates of the number of officers and seamen aboard the 475 ships range from 25,000 to 40,000. This compares with the maritime unions' current membership of upward of 100,000 men, half of whom are working aboard the nation's 900 merchant ships at any one time. The NCMB unions claim 70,000 members under contracts; NMU and the allied American Radio Assn., 40,000 members.

Chances of strike. It's by no means certain (1) that the unions feel strongly enough about the issue to base a strike on it this year or (2) how many shipowners are willing to incur such a strike.

Both NMU and SIU have indicated limits on their aims. They don't expect to close the gap completely between U. S.-flag and foreign-flag labor costs. That would be unrealistic, a spokesman says. They would like to narrow the gap enough to reduce the incentive for continued switching to foreign-flag operation by U. S. shipowners, and thus to protect their present members' jobs.

If they could pick up thousands of new members aboard the foreign-flag ships, that also would be a big gain. Many of these seamen are already organized as a result of recent campaigns, the unions claim.

If the shipowners choose to put the unions to the test, they won't have to wait long for the answer. June 15, the contract termination date, is also the start of the peak season for passenger ship travel. The unions are hardly likely to give up the advan-

tage of a strike at this time by extending contracts unless solid progress has been made—or unless they're not serious enough about foreign-flag coverage to strike for it.

A strike on this issue need not be industrywide unless the industry wants it that way, both union groups have emphasized. They're perfectly willing to sign with individual companies, they say.

"After all, only a small percentage of the companies have foreign-flag ships. It certainly would be foolish of the others to take a strike on an issue that doesn't concern them," an NMU spokesman said blandly.

Time off. At least one other demand is a potential strike issue, in the opinion of most observers. This is NMU's demand for additional time off, a demand that has the force of three years' frustration behind it.

Curran was a loser last time around in the whipsawing that marks maritime contract negotiations. In 1958 he settled for 30 days' time off, then had the galling experience of watching the officers' unions win 60 days, following a strike by the Marine Engineers' Beneficial Assn.

Now he wants 60 days for his men —plus. For bargaining purposes, and to dramatize its usefulness as a share-the-work device, the "plus" has been translated into a reduction of the work week from 40 to 30 hours. The difference of 10 hours a week would be compensated in time off. Over the year, this would add 65 more work days off, for a total of 125 days off. NMU admits that this figure is negotiable.

Actually, a shorter work week is not the only method of increasing time off that might be acceptable to the union. Greater use of relief crews, which would give regular crews more free time in their home ports, is another possibility. There are others.

But however it's figured, it's a safe bet that NMU won't be satisfied unless the total is substantially in excess of 60 days.

The mutual assistance pact (BW—May20'61,p148) with the IBT, which gave NMU nothing it didn't have before, is best understood in this light. It was Curran's way of warning shipowners: "We mean business."

Subsidies. A lesser strike threat—this one from the rival NCMB—is contained in the demand for the formation of a labor-management committee to overhaul the maritime subsidy program. In practical terms, however, such a strike would be a complicated matter.

Most members of NCMB's major union, the SIU, are aboard unsubsidized ships, many of which find it hard to keep operating without losses. SIU would like to take a hand in correcting what it regards as an unfair distribution of government subsidy money, particularly since it believes the shipowners' organizations cannot be trusted to protect the interests of any but the subsidized or the foreign-flag operators (BW—Apr. 1'61,p87).

But SIU itself cannot strike the subsidized lines that are not under SIU contract. The officers' and specialists' unions in NCMB have contracts with these lines, and they could do it. But they represent men aboard both subsidized and unsubsidized ships; in effect, they would be asking the former to strike on behalf of the latter. This is a pretty hard thing to ask.

On the other hand, the maritime unions command a stronger loyalty from their members than perhaps any other segment of the labor movement, and if their leaders decide subsidies are worth striking for, these allied unions would doubtless walk out.

There's also the possibility that even some subsidized shipowners may not feel it's worth a strike to keep the union from getting a voice in subsidy policies.

"The final decision on operating subsidies is the government's anyhow, so is it really sensible fighting to the death just to keep the union from talking it over with industry beforehand?" one shipowner asked, off the record.

Wages, etc. Other demands by NMU include an unspecified wage increase and a $1-per-seaman increase in the daily employer's payment to the pension and welfare fund. The NCMB unions have offered to pass up an increase if certain inequities are eliminated.

All groups agree unofficially that money demands will be of secondary importance this year.

Negotiators. All contracts expire June 15 except those covering the 17,000 members of SIU's three West Coast affiliates. These expire Sept. 30.

The Committee for Companies & Agents, headed by Ralph E. Casey (picture, page 78), president of the American Merchant Marine Institute, represents most passenger and freighter owners in their negotiations with NMU and the officers' unions of NCMB. The Tanker Labor Service Committee, whose chairman, Anthony Cardinale, has been working out of the AMMI office, does a similar job for most tanker owners.

Most companies under contract with SIU take part individually in the negotiating sessions. **End**

Craft unions pledge peace to win residential building contract

A labor agreement covering a $20-million housing project in Pittsburgh bans jurisdictional strikes and gives management full control over work assignments and the use of new tools and methods. **It's being hailed as "an historic labor agreement looking toward lower costs without sacrificing labor's standards."**

Labor disputes have hampered construction work in Pittsburgh in recent years. Backers of a project to build 1,400 middle-to-lower income dwellings sought assurances of labor peace. To get them, Catranel, Inc., one of Pittsburgh's largest residential builders, offered a quid pro quo: It offered to recognize the Pittsburgh Building & Construction Trades Council at the East Hills development.

Hitherto, Catranel's suburban building has been on a non-union basis—as is at least 70% of Allegheny County's residential building. **The craft unions consider the Catranel agreement a significant breakthrough** toward extending unionism from the near-100% covering of heavy construction to the sparsely unionized light construction field.

Court outlaws contract signed by union that lacked majority until later

A company and union violate the Taft-Hartley Act if they sign a contract before the union represents a majority of workers. **The U. S. Supreme Court held this week (7-to-2) that such an agreement is illegal even if the union later signs up a clear majority of employees.**

The ruling came in a case involving the International Ladies' Garment Workers' Union and the Bernhard-Altmann Texas Corp., a knit-wear manufacturer in San Antonio. ILGWU and the company signed a "memorandum of agreement" following a strike in 1957, although the union did not have a mill majority then. Later, after the union signed up a majority, the parties incorporated the memorandum in a new contract.

The high court ordered the contract set aside. Its majority decision said the union and company interfered with the workers' freedom of choice by a premature labor agreement.

Court ruling on antitrust charges spurs UMW to last-ditch fight

The United Mine Workers plans a legal fight—through the U. S. Supreme Court, if necessary—against a $270,000 judgment handed down after UMW was found guilty of violating antitrust laws. **The miners' union fears the adverse decision as dangerous precedent.**

UMW was held guilty of using its power and treasury to cooperate with major coal-producing companies in efforts to squeeze out small mines financially unable to meet UMW's terms.

Phillips Bros. Coal Co., a small East Tennessee mine, was sued by UMW for $56,000 in back royalty payments on a contract basis of 40¢ per ton of coal produced. Phillips said it couldn't pay the royalty and stay in business. It counter-sued UMW on antitrust charges. It alleged:

- The union forced the "impossible" terms of its 1950 contract on small mines, through violence and intimidation.
- It lent millions of dollars to big coal companies, industrialists—including Cyrus Eaton—and utilities and otherwise maneuvered to help big producers put their small competitors out of business.

UMW's denials failed to sway the jury.

A similar case filed in January by 16 other small mines asks $30-million damages. The success of the Phillips case is expected to encourage other actions against UMW.

Strike threat at RCA ended by pact with 2½% pay boosts plus fringes

A strike threatened against the Radio Corp. of America was averted last weekend when RCA and the International Union of Electrical Workers signed a **three-year contract for annual 2½% pay boosts and fringe gains for 21,000 employees in 21 plants.**

IUE's original demands included about 4½% more in a one-year agreement.

Transport Workers buying bus stock to protect jobs and wages

The Transport Workers Union hopes to acquire voting control of $1-million worth of stock in New York's Fifth Avenue Coach Lines, Inc., to support the present management in a stockholders' battle. Its members' jobs and wage scales would be in jeopardy if control passed to the challenging Dal-Tran Service Co., of Dallas, according to Michael J. Quill, TWU president.

The union this week bought one block of stock under its constitutional power to invest surplus money, Quill said.

Local 100, which represents 6,500 members employed by the bus line and its subsidiaries, is expected to buy another, and TWU members will be asked to invest in shares at a "Save-Your-Job" mass meeting next week.

The union leader charged that the Dal-Tran group pays lower wages and charges higher fares on its Dallas, Hawaiian, and Scranton transit facilities than the current standard in New York.

Quill said that TWU support of the bus line's management does not extend beyond its present difficulties. The union will strike the whole system if a single employee is laid off, no matter who wins, he warned.

Getting off a one-product road

Venerable Cabot Corp., prospering on carbon black, sees market dangers ahead; so its new head, Louis W. Cabot, is reorganizing to push out into broader fields

Cabot Corp. is the world's biggest producer of carbon black. It's a 79-year-old, Boston-based, family-controlled outfit with a reputation for sticking close to its carbon black business and a reticence about giving information to outsiders.

When third-generation Louis W. Cabot, 39, (cover and opposite) was installed as president last November, stirrings of widespread change were felt through the company. Now, with his grandfather and father—Godfrey L. Cabot, 100, and Thomas D. Cabot, 64—looking over his shoulder, Louis Cabot is getting ready to commit $30-million to carving out a new diversified role for his company.

And for the first time, a Cabot is willing to talk about the company's plans and release information outside the family circle about sales and profits.

First moves. Louis Cabot's aim is to use Cabot's carbon black know-how to expand into other chemical fields. The first moves will be into pigments and plastics, fields crowded with old-line giants of their own. But Cabot, a graduate engineer himself, feels his company has the technical trumps to win a profitable foothold quickly. The first two products will be:

- Polyethylene, one of the most commonly used plastics. Cabot Corp. claims its low-pressure process, now in the pilot stage, turns out a stronger and cheaper high-density product than anything that is now on the market.
- Titanium dioxide, largely used as a paint whitener. Using a license on a foreign process as a base, Cabot says its technicians can refine a product able to compete with that of the major pigment companies.

New image. If these new products catch on, Louis Cabot will go on to remake Cabot Corp. in a new image. He has already laid the groundwork with changes in his management structure. His willingness to talk reflects an awareness that to sell new products the company must become better known to the business community. Although the annual report is still not for publication to outsiders, he made the highlights available to Business Week.

I. Why change a good thing?

In 1960, Cabot Corp. had worldwide sales of about $100-million. Of this, 66% was in carbon black and 11% in oil and gas, which Cabot originally developed as raw materials for carbon black. Another 5% came from a public utility in West Virginia that grew out of the raw material end as an outlet for excess supplies there. The rest came from various activities, such as Cabot Shops, Inc., a subsidiary (now consolidated) that makes oil field equipment.

Cabot Corp.'s two major competitors in the U. S. are Columbian Carbon Co. and United Carbon Co.; each had carbon black sales last year in the range of $20-million to $30-million. Cabot says its domestic carbon black sales were well over that.

Worldwide, Cabot estimates it has 25% of the market—which totals about 2.6-billion lb.; some industry people think it has more. Cabot says its after-tax net income is comparable to that of its major competitors; on a proportionate basis that would make it about $8-million.

Market dependency. Why should a company with such a good return, and sales that have tripled in a decade, look for new fields to conquer? The answers reflect some elementary market forces, besides the underlying personal drive that Louis Cabot has brought to his inherited job.

For all carbon black producers, the major market is the rubber industry, especially tires. Rubber makers take about 90% of carbon black production; at least 5 lb. go into each tire as a strengthening agent. Spurting tire sales have meant rapid expansion and high profits for carbon black. But almost total dependence on one market can be dangerous.

From tremor to shock. The danger first came home to the industry during World War II, when the possibility loomed that synthetic rubber and plastic tires would need no carbon black. One industry observer likened the effect of this to a slight heart attack giving warning of something more serious. But tires without carbon black never got far out of the laboratory.

Another slight tremor was felt a few years ago when several companies announced they were working on wheelless vehicles, to ride on a cushion of air. But though the military is already using a few and commercial models are starting to appear, any real threat to conventional vehicles still seems distant.

The latest and biggest shock comes from the compact cars. Since January, compacts have been making up about one-third of total car production—and they use about 25% less rubber per new tire than standard-size cars.

Overcapacity. To these threats Louis Cabot adds the threat of overcapacity. Cabot Corp., a leader in expanding its overseas production, has been followed by other producers, and the building pace has become furious. There are plants big and small going up all over the world. By yearend, as new plants go on stream, Louis Cabot estimates, the industry will face trouble.

II. Stuck in the black

These outside forces helped shape Louis Cabot's determination to diversify. To do so, he had to break the company's lifelong specialization in carbon black that was a reflection of its founder, Godfrey L. Cabot—"the Chief."

Godfrey Cabot started his business—formerly known as Godfrey L. Cabot, Inc.—almost 80 years ago. By World War I he dominated the carbon black business. After the war he helped form the National Aeronautic Assn.

Though he then turned nominal control of the business over to his son Thomas, he remained a major force in it until he was in his 90s. Some observers say Thomas never really got a chance to show what he

Third-generation Louis W. Cabot, 39, plans new role for company formerly headed by his grandfather and father (portraits).

could do. In fact, Thomas once left for a year to become president of United Fruit Co., but found he was working for another strong-willed personality, Samuel Zemurray, and came back again. Later, he left for a government appointment.

Burned. Not that Cabot Corp. sat still or avoided risks. Thomas went to the Southwest to build plants near gas and oil supplies, and the company got into the oil and gas business that way. After World War II, Thomas sent Louis to Europe to guide the company's big push into foreign carbon black production.

But when the company tried something a little out of its line, it got burned. Its attempts to make and market such products as alfalfa extracts, chlorophyll, special feed grains, vitamins, and clay products, though often technologically sound, failed to come off.

Louis Cabot thinks what was missing was an objective view of general business problems and over-all planning. Something was always overlooked or handled sloppily—in one case market research, in another estimation of production costs.

III. Organizing a new role

In spite of this sorry record outside of carbon black, Louis Cabot thinks he has a good chance to make his diversification moves a success. He feels he is giving the company, for the first time in years, full-time active leadership. And he has a fairly free hand.

He feels, too, that the company has become a really big organization only in the last few years, that it now has the resources, both financial and executive, for new ventures. So he is getting his management and company resources organized in advance.

So far he has made three major changes; he has reorganized the board and top management for better planning, centralized more decision making and staff work in Boston, and stepped up research and development.

Team trend. Until recently, the company was so closely held that monthly board meetings were used "for boiler plate decisions," according to Louis Cabot.

With a larger company, more shareholders—as Cabot heirs multiply—and Louis as president, there are more formal presentations now at quarterly meetings. A new executive committee—Thomas and Louis Cabot and Executive Vice-Pres. Russel G. Allen—has taken over routine decisions.

The changes go deeper, though. Louis Cabot is thinking in terms of

a management team rather than one-man rule—perhaps a result of his Harvard Business School education.

He is probably more outgoing than his predecessors, and has made himself more approachable. He is less likely to try to run all parts of the business. He attributes this to inability to make up his mind so quickly: "I can't make decisions myself, because I don't know enough and can't stay up on all the technical problems of Cabot's various businesses."

Integration. Even before he became president, Louis Cabot, as an officer, had been getting more and more responsibility for company operations. Last October, he had moved to integrate domestic subsidiaries into a single corporation. Cabot Shops, and Cabot Carbon Co., Cabot Engineering Co., Petrocarb Equipment, Inc., were made into divisions, along with the existing Oil & Gas, Minerals & Chemicals, and other divisions.

All were merged into the newly named Cabot Corp., partly to simplify accounting, stockholder relations, and legal functions. There was also a small tax benefit.

The merger—chiefly on paper so far—is a sign of what's to come. It sets the stage for correcting another feature of the former one-man rule. Without a strong central group of officers, parts of the company far from Boston sometimes grew into autonomous operations. Now they can be drawn more closely together.

New directions. Research and development stands high in Louis Cabot's plans, and he spends much time with J. Boyd Britton, vice-president for development. R&D now gets 4% of Cabot Corp.'s sales dollars.

It's to the labs that Louis Cabot looks to provide the products for future growth. If the polyethylene and titanium dioxide now in the works pay off, the next step probably would be carbon-strengthened polyethylene products—such things as insulated cables and pipes.

Keeping the old. While he is a tradition breaker, Louis Cabot wants to maintain certain aspects of the closely held family corporation. A company with no public shareholders to worry about, he points out, can plow back more of its profits than its competitors.

Cabot, for example, stockpiled such large quantities of carbon black in the 1930s that at the onset of World War II it had close to 60% of the world's inventory of a vital commodity. Thomas Cabot calls this the ability to take "a patient look at the future."

Financial ways. Although Louis Cabot has stuck pretty much with Cabot's traditional approach to financing—using retained earnings—he plans to obtain money by other means if it is needed for his expansion plans. Except for short-term notes, the company has borrowed only once for domestic operations —$10-million in 1952 for new plants. About half of that is already paid off.

This approach obviously affects growth possibilities. A private company that wishes to stay so is limited in the number of cash-raising avenues open. With equity offerings out, and banks preferring short-term to long-term loans, the best sources are insurance companies and pension funds.

Louis Cabot can see the day coming when the company's growing list of stockholders will make dividend payments more important and therefore affect company financing plans. Godfrey L. Cabot now has about 75 descendants. Cabot gifts to Harvard, Massachusetts Institute of Technology, and other institutions account for 25% of the 80,000 outstanding shares.

Choppy waters. Louis Cabot recognizes that in venturing beyond the carbon black business he is getting into choppy waters. Carbon black is relatively easy to market, especially when you have a long-standing position in the industry. Purchasing agents for rubber companies say there's little price competition, and little difference between carbon blacks except for particle size. Most big companies can make all sizes.

Cabot will also be fighting the giants of the chemical and plastics industries when he tries to market his first two new products. In titanium dioxide, however, he may have solved his problem by arranging to co-produce with or license his process to a major paint company. But in polyethylene, he'll be trying to squeeze into a market that has great overcapacity. Low-pressure material like Cabot's had sales last year that were only about 60% of capacity but Louis Cabot expects demand to catch up by 1962. Polyethylene sales as a whole were only about half of the industry's 2-billion-lb. capacity in 1960.

In remaking his company for the future, Louis Cabot would prefer to go it alone in financing, research, marketing—in anything it takes. He is trying to learn from the company's past experience, however, and proposes to stay flexible enough to meet whatever comes, even to the extent of getting into joint ventures. **End**

International outlook BW

June 10, 1961

London has two hard decisions to make

The British government is up against two hard decisions. **The first is whether to make a declaration soon that Britain is ready to join the six-nation European Economic Community (EEC). The second is how to defend sterling,** which is under extreme pressure this week.

London had hoped for more time on both questions. **With respect to sterling, serious trouble wasn't expected until late summer.** On Britain's membership in EEC, there was some hope that the Six would issue an informal invitation, easing the way for London. The expectations have proved wrong in each case.

Official bid to the 'Six'

Prime Minister Macmillan now seems convinced that he must make an official bid to join EEC. **Insiders in London say it is possible Macmillan will make his move next month,** in time for the final negotiations to be opened by early fall.

No doubt Macmillan has heard from Pres. Kennedy that the French government won't disclose its hand publicly until London announces its intentions. Pres. de Gaulle told Kennedy last week in Paris that he would not oppose British membership in EEC. But de Gaulle also indicated that he felt Britain was coming in anyway, so there was no need for him to make concessions in advance.

The pound gets weaker

Sterling has been under pressure ever since the 5% revaluation of the West German mark. That's partly because European financial circles, immediately after that event, started talking up a 5% devaluation of the pound and the dollar. Last year, money poured into London, which helped the pound at the time when the dollar was weak. Now these funds are leaving London, so that sterling has lost ground relative to the dollar and gets the pressure.

The basic thing, of course, is the continuing weakness of the British balance of payments. While Britain's exports have been climbing this year, imports haven't dropped off from last year's peak as much as expected.

London still gets some support from the special agreement of European central banks to hold sterling. (This went into effect right after the German revaluation.) Moreover, the British can call on the International Monetary Fund for very large resources. But, if a run on sterling really gets going, Chancellor of the Exchequer Selwyn Lloyd will have to move on the domestic front as well.

Lloyd can use one of the new "economic regulators" requested in his April budget—a 10% hike in excise taxes. Beyond that, he can call on the Bank of England for a sharp increase in the bank rate, now at 5%.

Kremlin at odds with Nasser

Moscow is not having everything its own way in the Middle East. For some time, Iraq has been giving the Russians trouble (BW—Apr.20'60,p102). Now, Cairo is bucking the Kremlin.

Ever since the Soviets began helping with the Aswan project, the **Moscow-Cairo romance has run sweet and sour.**

This week, Nasser's government-controlled press unleashed a bitter, hard-hitting assault against Moscow. Current Soviet propaganda against Cairo can "no longer be tolerated," say the Egyptians. Specifically, the

International outlook Continued

Soviets have been attacking Nasser's harsh treatment of local Communists. On the diplomatic level, relations are chilly.

'Uncommitted' summit

Perhaps more worrisome for Moscow are Nasser's strengthening ties with Yugoslavia's Tito and India's Nehru. By lining up with independent-minded neutrals, **Nasser is taking still another step away from the compliant role the Kremlin would like to see him fill.**

Moscow can hardly be pleased with developments at the conference of 22 "uncommitted" nations now under way in Cairo. **These nations are preparing for an "uncommitted" summit in late summer,** sponsored by Nasser and Tito, as well as Nehru and Dr. Sukarno of Indonesia.

At first, the current meeting seemed weighted heavily in favor of Moscow-oriented neutrals. Only some pro-Western neutrals were invited. At midweek, largely under prodding from India, the conference appeared ready to convene a **summit that was more truly representative of the world's neutral nations.**

Iran teeters

If Moscow is unhappy elsewhere in the Middle East, it could find solace this week in pro-Western Iran—which appears on the verge of radical internal upheavals, possibly collapse.

The new premier, Ali Amini, has only a sliver of support as he pushes his reforms against inflation, corruption, feudalism. **If rightist elements from the Army and land-owning class don't unseat him, observers say, the leftists almost certainly will.** That could be the end of the Shah and the monarchy.

Meantime, Iran's economy is deteriorating rapidly. Businessmen just back from Teheran say business is at a virtual standstill.

'Rule by riot' in Japan

Mass leftist riots in Japan this week forced the government to set aside a bill to prohibit such mass riots.

This is a serious political defeat for Prime Minister Hayato Ikeda, who will visit the U. S. later this month. The success of this week's demonstrations may encourage the rioters, mainly students, to similar outbursts when Ikeda prepares to leave Japan. Ikeda's predecessor, Nobusuke Kishi, was embarrassed by such tactics as he departed Japan to visit the U. S.

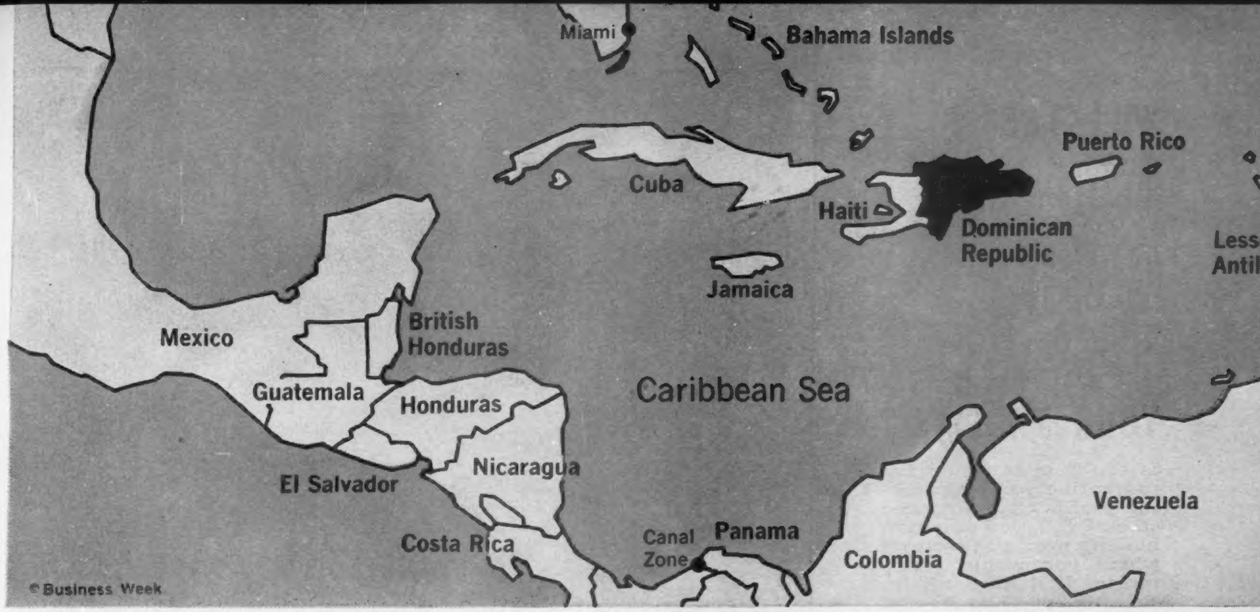
The outcome of this week's tumult strengthens the Japanese left wing, although it is still relatively small. It will undoubtedly attempt more "rule by riot" to win its way. The leftists employed these tactics to force the Japanese government to cancel its invitation to Pres. Eisenhower last year.

Mob action of this kind may provoke a reaction from the more powerful conservative elements. **Businessmen and farmers retain much influence in traditionally authoritarian Japan.** They are becoming increasingly fed up with the leftists and may press the government for a crackdown.

Dictatorship in South Korea

In Korea, the military junta that overthrew the government several weeks ago has taken almost absolute powers. It is returning to the iron rule of Syngman Rhee, who was deposed by a student-military revolt in April, 1960.

From a military standpoint, the recent actions of the Korean junta are causing the U. S. considerable concern. **South Korea is the anchor of the U. S. defense perimeter in the western Pacific.** But it's not clear whether the South Korean Army is willing to cooperate with the U. S.



What next in Dominican Republic?

Trujillo's followers seem to be in firm control, but there are signs that a power struggle may break out. U. S. seeks ways to foster democratic government

The Dominican Republic at midweek appeared calm, at least on the surface. Following the assassination of its dictator, Generalissimo Rafael Trujillo, last week, the nation seemed to be under the control of his political followers, led by his son, Rafael, Jr., and the Dominican President, Joaquin Balaguer.

The ruling clique this week got off to a running start in consolidating its position. It rounded up the dictator's assassins, shooting two and arresting most of the rest. Throughout the country, the army stood ready to prevent an uprising.

Seeking reconciliation. Trujillo's successors also moved to reestablish ties with the Organization of American States. Members of OAS broke diplomatic relations with Trujillo last summer after he was charged with the attempted murder of Venezuela's Pres. Romulo Betancourt.

The regime is trying to show that the Dominican Republic is no longer "a threat to the peace and security of the hemisphere" and is working to make its government more democratic. This week, the Dominican leaders accepted a bid from OAS to send a team of investigators to survey their moves to liberalize the government. These actions included:

1. A promise to hold elections next May.
2. Amnesty for all Dominican political exiles, guaranteeing them safety to come home.
3. Dropping the fight with the Roman Catholic Church that had openly condemned Trujillo for his oppression of the people.
4. An order to the Dominican press and radio to cease its attacks on the OAS and the U.S.
5. A declaration of the regime's intent to remain pro-Western, anti-Communist, and anti-Castro.

Storm clouds. All this, however, may be only the calm before the storm or a series of storms.

The ruling clique itself is an uneasy alliance. The younger Trujillo, nicknamed Ramfis, does not have the wide support among the peasants that his father enjoyed. Nor does he command the personal loyalty of the army.

Balaguer, the figurehead president, is regarded by most observers as a weak political leader. Hector Trujillo, the dictator's brother, who acted as a front man during the Generalissimo's 31-year reign, is also considered politically inept.

Within the army are several powerful men who may hanker for direct power. Among them are Juan Abbes Garcia, a trusted lieutenant of Trujillo and head of the secret police; Arturo Espaillat, former Dominican consul general in the U. S.; and Pino Pichardo, who held several high posts under Trujillo.

The most likely storm will come from within this group. Throughout history, strongmen like Trujillo have remained on the throne because they were able to prevent other able leaders from gathering strength. When the strongman is gone, a struggle for power usually ensues. It may have begun this week when the younger Trujillo dismissed Abbes from his secret service position.

Behind the scenes. Other groups may come into the situation, either independently or to take advantage of a falling out within the present clique. Washington officials believe that a number of younger army officers are critical of the oppression of the Trujillo regime and the events that led to the break with OAS. They are suspected of being in on the plot to kill Trujillo and may be preparing a coup that would install a junta.

Elsewhere, political exiles are

Heir apparent to his father's power, Gen. Rafael Trujillo, Jr., (left, dark glasses) listens as Dominican Pres. Joaquin Balaguer delivers funeral oration.

scattered all through the Caribbean area, particularly in Puerto Rico, Caracas, Mexico City, and Miami. At the moment, these exiles are badly organized and have no active underground in the Dominican Republic.

If they should attempt to come to power, they could count on the support of several Latin American leaders, especially Venezuela's Betancourt, an avowed enemy of the Trujillo clan. But they would have difficulty establishing a stable, moderate government, since the Dominicans lack a democratic tradition.

Castro threat. From the left comes the threat of the storm that could effect far-reaching changes throughout the Caribbean. Fidel Castro is believed to have ambitions of establishing a Caribbean empire, or at least a Caribbean alliance encompassing most of the islands. The current disturbance in the Dominican Republic offers Castro an opportunity to extend his power.

Few observers believe that Castro would be foolish enough to mount an invasion of the Dominican Republic. He would leave himself open to charges of intervention from the rest of Latin America, whose support he craves. He also might provide the U. S. with the justification for using armed force against Cuba.

But Castro, using the small band of extreme leftwing Dominican exiles presently in Cuba, will probably attempt to infiltrate the Dominican Republic and stir up a revolt.

Moreover, the Republic of Haiti, the Dominican Republic's neighbor on the island, is also highly vulnerable to revolutionary movements. Under the dictatorship of Pres. Francois Duvalier, corruption, poverty, and oppression have blighted the land.

Some observers believe that Castro will try to penetrate both Haiti and the Dominican Republic. Should he be successful in bringing them into his fold, he will turn his attention to Puerto Rico.

U. S. policy. At midweek, the outlines of U. S. policy in this situation were just beginning to emerge. Long-range, the U. S. intends to encourage the development of a stable, democratic government. But Washington spokesmen acknowledge that, after 30 years of dictatorship, this won't happen overnight. Says one official, "We're not optimistic, but the situation is not hopeless."

Right now, the U. S. is primarily interested in seeing that Fidel Castro and the Communists do not benefit from the current uncertainty. Washington is working through the OAS team in an effort to stabilize the situation.

Once the present crisis is past, the U. S. hopes that the younger Trujillo and his associates can be eased out. Washington has little hope, despite this week's moves, that the Trujillo clique can make genuine strides toward a democratic government. Moreover, the younger Trujillo is bitterly anti-American (he was refused a diploma from the Army Command & General Staff College because he was more attentive to Hollywood actresses than to his studies).

The U. S. would like to see the Trujillo group replaced with a junta of young Army officers or a group of moderate political figures that will lead the nation gradually to de-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mocracy. Observers point out that in many Latin American countries in recent years, a temporary military regime has preceded an elected government.

Economic levers. Washington spokesmen hint that the U. S. has several persuasive economic levers that can be used to foster evolution. The Dominican economy has been in trouble for about two years because depressed sugar and coffee prices cut its chief source of export earnings. In addition, Trujillo used up a good part of the nation's financial resources buying out foreign and domestic businesses, and purchasing arms after Fidel Castro attempted a small invasion in 1959.

The U. S. added to the Dominican economic troubles by withdrawing an extra sugar quota that had tripled the island's exports to this country in the first quarter of 1961. The added allotment came when Cuba's share of the market was assigned to other suppliers. Earlier, the U. S. stopped exporting oil and automotive equipment.

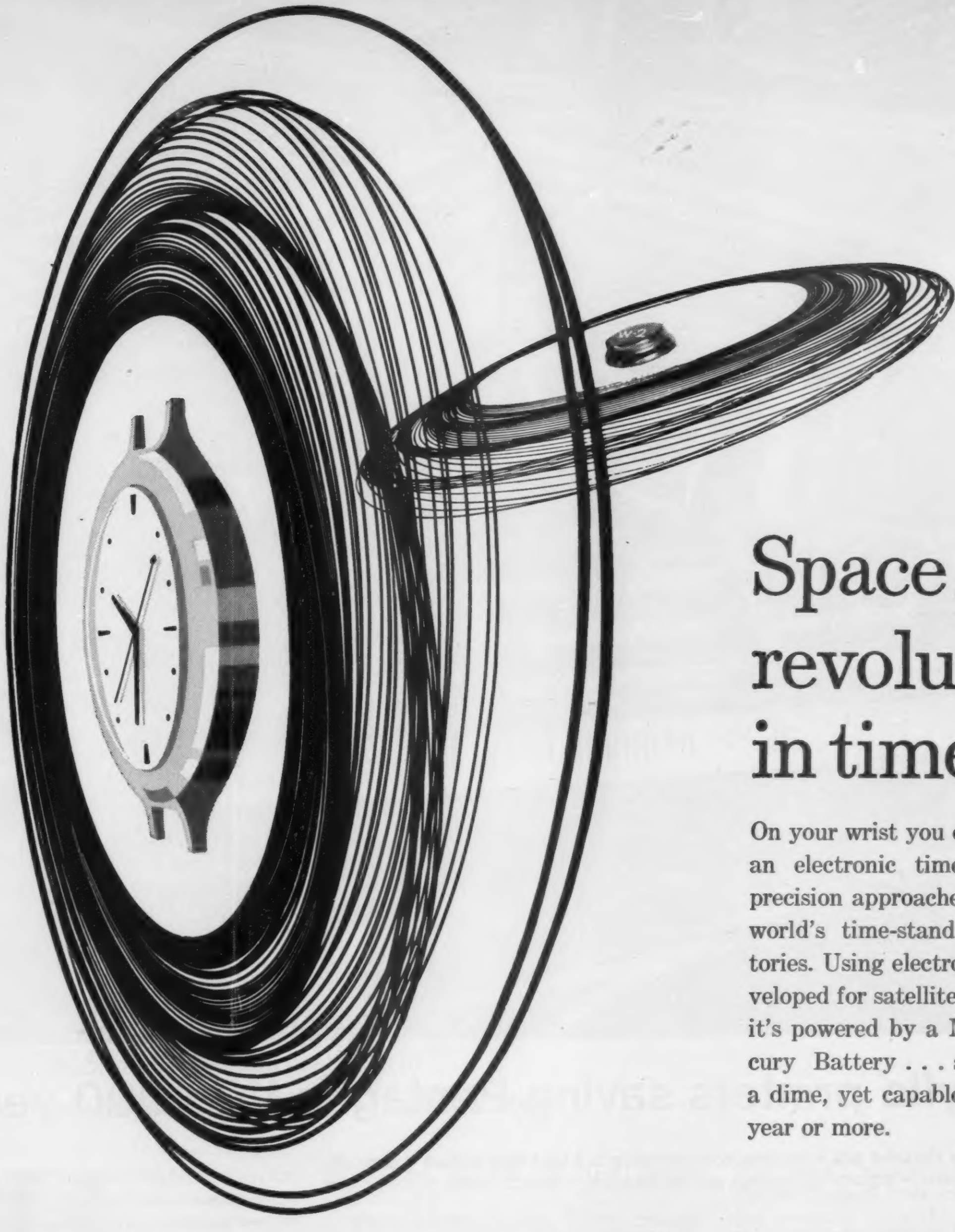
Washington may try to persuade the Dominican leaders to move toward democratic government by promising adjustments in the sugar quota, a resumption of oil exports, and economic aid.

A narrow path. In all this, the U. S. must walk a narrow path to avoid arousing Latin American charges that it is (1) intervening in the affairs of the Dominican Republic, or (2) fostering the growth of another dictatorship such as the one that Trujillo imposed. Latin Americans have often accused the U. S. of such actions in the past.

Latin reaction. Most Latin American nations are taking a wait-and-see attitude toward the Dominican affair. The news of Trujillo's death was received with some satisfaction.

In Mexico, the government has maintained a tight-lipped silence, but privately many officials take a "good riddance" attitude. In Venezuela, the legislature stopped debate when it heard the news and rose as one man to applaud. Brazilians were somewhat indifferent, but in Argentina 200 demonstrators held a mock wake, complete with candles and coffin, in front of the Dominican consulate in Buenos Aires.

On the question of renewing diplomatic ties with the Dominican Republic, many Latin Americans take the position that the current clique is essentially the same government as before. They are happy to see that the OAS investigators are being allowed into the country, but they are skeptical that anything will come of it. **End**



Expenditures for new plant and equipment by U. S. business

Quarterly 1959-61, seasonally adjusted at annual rates (billions of dollars)	1960 July-Sept.	1960 Oct.-Dec.	1961 Jan.-Mar.	1961 Apr.-June/[1]	1961 July-Sept./[1]	Full year 1960	Full year 1961/[1]
Manufacturing	$14.65	$14.40	$13.75	$13.65	$14.05	$14.48	$14.00
Durable goods industries	7.35	6.85	6.50	6.30	6.40	7.18	6.45
Iron and steel	1.75	1.45	1.35	1.30	1.25	1.60	1.26
Nonferrous metals	.30	.30	.30	.30	.25	.31	.27
Electrical machinery	.70	.75	.70	.65	.65	.68	.67
Other machinery	1.05	1.05	1.15	1.05	1.10	1.10	1.10
Autos, trucks, and parts	.95	.90	.70	.90	.85	.89	.84
Transportation equipment	.40	.40	.40	.35	.35	.42	.38
Nondurable goods industries	7.30	7.55	7.25	7.35	7.70	7.30	7.55
Food and beverages	.95	.90	.95	1.00	1.10	.92	1.08
Textile-mill products	.60	.55	.50	.45	.50	.53	.49
Paper and allied products	.80	.75	.75	.75	.70	.75	.73
Chemicals and allied products	1.65	1.65	1.50	1.60	1.65	1.60	1.62
Petroleum and coal products	2.50	2.80	2.70	2.70	2.75	2.64	2.71
Mining	1.00	.90	.95	1.00	1.05	.99	1.03
Railroads	1.00	1.00	.70	.75	.65	1.03	.70
Transportation, other than rail	1.90	1.80	1.75	1.85	1.85	1.94	1.76
Public utilities	5.60	5.70	5.35	5.75	6.15	5.68	5.91
Commercial and other	11.75	11.65	11.30	10.90	10.80	11.57	11.05
Total all business	35.90	35.50	33.85	33.85	34.60	35.68	34.46

[1] Estimates are based on anticipated expenditures reported by business in late April and May, 1961

Data: SEC—Commerce Dept.

ECONOMICS

Capital spending tilts up again

Government survey indicates that business outlay hit bottom in second quarter, will creep up to an annual rate of $35.5-billion by the fourth quarter

The new government capital spending survey, out this week, supports the key finding of the early McGraw-Hill survey (BW—Apr.29 '61,p32): The capital spending curve is touching bottom now, in the second quarter of 1961, and will be moving up from the third quarter on.

The government's survey, conducted by the Securities & Exchange Commission and the Commerce Dept., reports that total business spending on new plant and equipment is running at an annual rate of $33.85-billion in the second quarter, and will move up to a rate of $34.60-billion in the third quarter. The implication of the SEC-Commerce survey's annual data is that, in the fourth quarter, capital spending will be running at an annual rate of $35.5-billion —an upswing of almost $2-billion from the second to the fourth quarter.

More conservative. These results are somewhat more conservative than those reported by the McGraw-Hill survey—which showed a rise of about $3-billion in the rate of capital spending from the second to the fourth quarter. SEC-Commerce estimates for the year as a whole are also lower than McGraw-Hill's.

Slight drop. The government's new 1961 estimate of $34.46-billion for the year as a whole compares with its estimate of $34.57-billion at the beginning of the year. This slight drop in the estimate for 1961 doesn't result from any tapering off in businessmen's spending expectations for the remainder of the year. The decline of some $110-million comes from a downward revision of the actual spending for the first quarter. The March report showed an estimated annual rate of $34.4-billion; the revision puts the actual outlays at a $33.85-billion rate in the first quarter. But capital spending held at that rate in the second quarter—though it had earlier been expected to decline.

Manufacturers as a group have downed their sights a notch: They now see their spending at $14.00-billion for the year, down from the $14.11-billion they foresaw earlier. It's the nondurable goods producers that are showing more perkiness, upping their earlier estimate for the year of $7.42-billion to $7.55-billion. On the other hand, the durable goods producers—including the machinery and auto makers—have sloughed off their projections, with a new estimate of $6.45-billion, compared with an earlier guess of $6.69-billion. **End**

What's in it for you?

When you see a freight train go by don't you often wonder what's in it?

You'd be surprised. If there's one thing that provides a cross-section of America's way of life, it is the freight car. Here you find apples and automobiles, bassinets and breakfast foods, carpets and corn, divans and dishes. But you name them...you use them.

A major part of Union Pacific's activity is hauling freight. We've been doing this for almost a century and the years have brought us a high degree of skill. Ever conscious of our responsibility, we are constantly improving our transportation techniques.

Today's Union Pacific service is better than at any other time in our history. This is true of freight transportation and of the service we provide for travelers —our DOMELINERS between Chicago or St. Louis and the Pacific Coast are proof of this!

Next time you see a Union Pacific freight roll by ask yourself this question: "What's in it...for me?"

UNION PACIFIC *Railroad*

OMAHA 2, NEBRASKA

Speculative fever dips in unlisted securities

New issues lose some appeal and many over-the-counter stocks take a beating, as investors show growing caution. Some dealers expect further declines

While listed securities gained some ground this week, the over-the-counter market was finding it tough going: Prices of unlisted shares displayed little bounce, which is symptomatic of the troubles they've been having for the past several weeks.

The tables to the right show this abrupt change. Since late April, when the over-the-counter market hit its 1961 peak, prices of many unlisted stocks—whether blue chips, once-favored growth stocks, or new issues—have been either taking a beating or finding comparatively little buying support. And trading volume has tailed off considerably.

Selectivity. Partly this is because sophisticated investors have grown more selective in their purchases, partly because the general public, apparently taking heed of frequent press and industry warnings about unwise speculation, has also been less reckless in buying unseasoned issues. "The fever has definitely subsided," according to Maurice Hart of New York Hanseatic Corp., "which is all to the good."

To some extent this sobering up of the over-the-counter market is patterned after the setbacks suffered by many stocks listed on the New York and American Stock Exchanges. Investors are taking a harder look at price-earnings ratios, and are more cautious about where business goes from here. But there are some significant differences. For one thing, good grade investment stocks on the NYSE are getting a good deal of institutional support. This is less apparent in over-the-counter shares, partly because some big institutions were investing chiefly in so-called growth shares over-the-counter and now prefer to shy away from unlisted securities altogether until the uncertainty about earnings is resolved.

Fading fast buck. This doesn't mean that if stock prices take off on another tear, unlisted shares won't participate in the rise. But over-the-counter speculation has cooled off, and, in the next rise, there should be more selective purchasing. As one broker put it: "The days of the fast buck over the counter may be over for now."

Of course, the over-the-counter market covers a broad range of issues—including bank, insurance, utility, as well as industrial stocks. In the main, top quality shares in each of these groups are the least affected by the turndown. Bank and insurance stocks, in fact, have been firm. And a good number of industrial stocks have shown gains.

But the new caution probably means that the highs for many individual issues have been reached. In fact, a few over-the-counter dealers look for a further decline in prices. In many of the scientific stocks, explains one dealer, the market is more apparent than real. Companies have relatively few shares outstanding, and when there is selling pressure, prices can't be sustained. He thinks this selling pressure is being felt now, and that prices will keep dipping.

New issues. A crucial area will be the new issues market. A few months ago, their stocks were the rage of Wall Street, and almost every single new issue rose to a premium and stayed there. This speculative rush carried the whole over-the-counter market along with it, and trading volume soared.

While the public's demand for new issues has cooled only slightly, many dealers now feel that the bloom is off the rose.

New issues with a limited supply of stock still command premiums, but they are slimmer than before. Bigger issues—with more prestige involved—find it harder to gain a premium; many that have—such as Howard Johnson, Charles of the Ritz, and Welch Scientific—tumbled sharply soon after, although they've

Over-the-counter stocks

May-June new issues

	Offering price	Approx. high	This week's bid
C.T.S. Corp.	$22.00	$22.50	$22.25
Economy Book Bind.	10.00	10.75	9.75
Far West Financial	27.50	28.50	27.25
Howard Johnson	38.00	48.50	46.00
King Kullen	15.50	16.50	15.75
MacDonald (E.F.)	19.00	29.00	28.50
Potter Instruments	10.00	18.50	15.75
Precisionware	10.00	10.50	10.00
Rocket Jet Eng.	5.00	8.62	8.25
Thrift Courts of Amer. (units)	800.00	950.00	800.00

Blue chips

1961	High	Low	This week's bid
American Express	$62.50	$47.50	$56.75
American-Marietta	40.50	30.75	34.25
Anheuser Busch	58.75	36.75	51.00
Lilly, Eli	86.50	65.00	69.50
Marlin Rockwell	21.62	19.12	20.75
Ralston Purina	50.00	44.00	49.50
Time, Inc.	105.00	79.00	90.00
U.S. Envelope	23.00	18.00	19.00
Warner & Swasey	35.25	27.25	32.75
Weyerhaeuser	40.37	33.25	35.50

Recent high-flyers

1961	High	Low	This week's bid
Atlas Credit	$18.25	$ 6.00	$15.25
B.B.M. Photocopy	65.00	33.00	46.00
Computer Systems	40.00	6.50	28.00
DynaTherm Chem.	10.50	7.00	7.00
Electronics Capital	65.50	20.75	45.50
Fischbach & Moore	27.25	10.50	20.75
Guardian Chemical	11.87	2.50	6.00
Maxson Electronics	31.75	9.50	26.25
Oil Recovery	84.00	23.00	70.00
Pioneer Plastics	14.00	8.75	12.75

managed to stay above issue price.

One reason for the change is that big investors—including some institutions—aren't pressing so hard for new issues.

And the slackened demand has made some companies with prospective new offerings—and their underwriters—leery. Last week, for example, Lytton Financial Corp. postponed an underwriting of 300,000 shares. Lytton's first-quarter earnings were lower than the company had expected, and it thought it best to put off the stock issue for a few months.

Few new issues have actually gone sour, however, and until they do most underwriters are reluctant to concede that the new issue boom is over. "If corporate profits pick up sharply," says one underwriter, "we'll see a pickup in new issues this fall."

Mixed blessing. The slowdown in the over-the-counter market is looked on as a mixed blessing within the industry. Explains Max W. Shapiro of Singer, Bean & Mackie, Inc.: "It gives the market a stability it needed."

For example, the ease in activity may have forestalled trouble for some of the smaller over-the-counter concerns whose finances have been strained by the huge positions they carry. Talk in Wall Street is that a number of small houses have violated the net capital requirements set up by the Securities & Exchange Commission. The SEC has cracked down on one or two violators, warned others to keep their liquid assets up.

In some cases, broker-dealers strained for capital have dumped stock on the market to raise cash. This has created havoc in individual cases, where the dealers held big positions or made a market in the stock.

Deliveries. Security deliveries in general have been a problem on Wall Street because of the hectic trading. As of Apr. 28, a survey of the National Assn. of Securities Dealers shows that the value of outstanding undelivered transactions totaled approximately $1.4-billion—way above normal. The Memorial Day holidays helped some houses catch up, and the latest slowdown should help further.

With the heat off, over-the-counter dealers are freshening up a pet project—a clearing house for unlisted securities, much like the clearing houses for issues traded on the exchanges. Discussions have been held in the past few weeks on setting up such a scheme, which would mean less back-room work for brokers and dealers. **End**

Wall St. talks...

about American Exchange quiz, new government dealers, why American Viscose soared

The first stage of the SEC investigation into practices on the American Stock Exchange is a seven-page questionnaire to all members—with primary focus on activities of ASE specialists. For example, the SEC wants a five-year history of any specialists' transactions, as well as any arrangements made for outside financing.

The life insurance industry will be keeping a close watch next week when the SEC starts hearings on Prudential Insurance Co. of America's application to market variable annuities. SEC approval would open the door to a flood of other applications—and a new force in the securities market.

The exclusive fraternity of government securities dealers, made up of only a handful of banks and investment firms, will have three new members bidding for major status. New York's First National City Bank and Blyth & Co., Inc., an investment banking house with a big over-the-counter business, are expected to set up shop as government dealers; and Second District Securities Co., Inc., which is headed by M. A. Schapiro of M. A. Schapiro & Co., Inc., a leading dealer in bank stocks, is extending its operations in governments.

Brokers say **the reason American Viscose soared** to a new 1961 high of $62.75 (1961 low: $41) was Life magazine's article on the company's new edible cellulose, Avicel, now in pilot production. The stock jumped seven points as speculators spread the word that Avicel was a new Metrecal. Profit-taking set in, though, when American Viscose said that profits in Avicel, even if it took hold, might not show up for at least a year.

The luncheon meetings of **the New York Security Analysts**—which have been a useful forum for companies anxious to create interest in their stock—aren't showing the impact they once did. This week, for example, despite Brunswick Corp.'s prediction of $700-million in sales within five years, the stock sold off.

In the markets

BW

Stock investors turn cautious, awaiting some firmer signs of strong upturn

Stock prices showed little change this week, reflecting the uncertainty—and the restraint—of investors.

Most analysts are talking in terms of a strong summer rally, but investors appear to be waiting for concrete evidence of a new boom before continuing to add to their holdings. While most indicators suggest that business is recovering handsomely, stock prices are already discounting a substantial recovery, and it will take some added evidence—perhaps a big upturn in second-quarter earnings reports—to stimulate a new wave of buying.

The prospect is that investors will be exercising more discrimination in their purchases—and sales. Most of the buying in the sustained rally that began last November was based on future hopes; now, investors want to see some of their hopes materialize. There is no doubt that both speculators and investors consider stocks an essential inflation hedge, and will continue to buy them. The reason is a feeling that the Administration's record to date has inflationary overtones. But they no longer appear willing to buy for the sake of buying; they want assurance that the companies whose shares they buy show improvement in earnings.

Japanese company makes its first public offering in the U. S.

Investors warmed quickly this week to shares of Sony Corp., the first public common stock issue here of a privately owned Japanese company since World War II. Smith, Barney & Co. and Nomura Securities Co., Ltd., headed the offering group, and **other U. S. underwriters who have been considering selling Japanese stock here are now expected to hurry them along.**

The timing of the issue was exceptionally good. The Japanese stock market has turned soft in recent weeks, and Sony might have had difficulty selling shares there—on top of two stock offerings earlier this year, when the Tokyo market, fortuitously, was riding high.

The $3.5-million issue—2-million shares—was made through the sale of American depository receipts, each ADR representing 10 common shares of Sony, which makes radios, TV sets, and tape recorders. The Sony ADRs were priced at $17.50, but quickly jumped to $22.

Treasury "strip" of short-term bills, AT&T's debentures feature money market

Two financings were the center of attention in the money markets this week. The first was a $1.8-billion short-term borrowing by the Treasury. It made an innovation in financing techniques by offering a "strip" of Treasury bills; **the "strip" is made up of bills maturing, in consecutive weekly intervals, from Aug. 3 to Nov. 30.**

This type of "strip" financing has been talked about in the money market for some time. The Treasury decided to experiment with it now because it had to raise funds and wanted to do so in the short end of the market. So instead of making a one-shot offering of new obligations, which might have meant a swift rise in rates, or adding $100-million a week to the regular Treasury bill auction, which could be unsettling later on, it is combining the two by offering investors an opportunity to buy a package of bills falling due from 50 to 150 days after the subscription date. In effect, the Treasury is adding $100-million a week to its outstanding bills, but it is offering the additional securities as a single unit.

In the long-term capital market, American Telephone & Telegraph Co. sold $250-million in 37-year debentures at a net cost of 4.72%. As AT&T plans to call in $250-million of its 5⅜% debentures due in 1986, it will save a substantial amount in interest costs.

The AT&T offering was taken by a syndicate headed by Morgan Stanley & Co., which bid 100.399 for the debentures, based on a 4¾% coupon. Morgan Stanley offered the bonds to the public at 101.225, which provides a yield of 4.68%.

The initial reception was considered somewhat disappointing, but the underwriters feel that despite a bearish tinge in the bond market, with prices down and yields rising, they will be able to dispose of the offering fairly easily.

Trail of stock manipulations leads to Atlanta, New York, and Miami

Crime in the stock market knows no geographical borders. This week, criminal charges cropped up in three different cities:

In Atlanta, owners of a small brokerage concern, Pruett & Co., were **indicted for misappropriating an estimated $1.5-million in funds and securities of their customers.** Among other things, the indictment charges that Carl A. and Gertrude M. Pruett converted customers' funds to their own use; used securities left with them for bank loans without customer consent; and forged customers' signatures on checks, bank notes, and stock certificates in order to sell securities or obtain bank loans. The Pruetts, husband and wife, pleaded not guilty.

In New York, two officers of Arlee Associates, Inc. and First Discount Corp. of New York were **charged with grand larceny of securities valued in excess of $1-million**—in transactions with Sutro Bros. & Co.

In Miami, a federal grand jury indicted 21 men on **charges of fixing prices of Columbus Rexall Oil Co., a Salt Lake City company, and operating a nationwide mail order fraud scheme.** One of the group indicted was Lyman Louis Cromer, former president of the Salt Lake City stock exchange.

June 10, 1961

Expressways speed up summer trips

Whether you're driving for business or pleasure, an auto trip will be easier than ever this summer in many parts of the country, thanks to the new superhighways now open to travel.

Most of these are part of the federal government's interstate highway system. You can gauge the scope of this program by the giant size of the outlays involved—Congress is putting the finishing touches on a bill to add $11.6-billion to the $25.4-billion previously authorized.

It will be 1971 before you can drive coast to coast without encountering a traffic light or stop sign. But out of the 41,000 miles of highway planned, **traffic is now moving over 10,600 miles—including 2,274 miles of toll highways, bridges, and tunnels.** Another 4,400 miles are under construction.

Each month during the peak construction season now in progress, about 400 miles of new highway will be opened.

Linking most cities

Eventually, the interstate system will connect most cities of more than 50,000 population and also provide more convenient access to many recreation spots. **But it's already having a tremendous impact on travel patterns.**

For example, look at just a few of the new routes available:

- A newly opened section of Interstate 94 takes you 203 miles between Detroit and Chicago by freeway.
- On Interstate 70, you can cross the Continental Divide west of Denver.
- In Washington State, a segment of Interstate 90 pierces the Cascades on Snoqualmie Pass.
- In Oregon, a brand-new piece of Interstate 5 makes travel easier up and down the West Coast and to many national forests and parks.

For details, write to Bureau of Public Roads, U. S. Dept. of Commerce, Washington 25.

Travel by toll road

The new system also includes toll roads such as the New York Thruway and the Massachusetts, Pennsylvania, Ohio, and Indiana Turnpikes. **Tolls range from 1¢ to 3¢ a mile.** You'll probably find the savings in auto operating costs and time—as well as the added safety—well worth it.

The New York Thruway has been around for several years, but it now ties in with a growing complex of toll roads in other states. This system alone totals more than 2,100 continuous miles of limited-access highways linking the Eastern Seaboard with Chicago and the Midwest.

Service on the road

There's steady improvement in services for motorists. On several toll roads, you get a weather briefing describing conditions along the entire route before you start. And some police patrols on expressways are equipped with free gasoline and water for disabled travelers.

In planning an auto trip, take advantage of the wealth of material available from state highway and travel offices. It's a good idea to request special routings from highway departments or automobile clubs, with new highways opening regularly and 9,000 federal aid projects alone under way.

Rediscover the byways

By drawing the bulk of long-haul travel, the new expressways often enable you to drive at a more leisurely pace, in less traffic, on older roads.

Many states recommend historical tours along these highways. Newest

is the New England Heritage Trail—a 1,000-mile well-paved route. For maps write the New England Council, 1036 Statler Office Bldg., Boston 16.

For auto adventure south of the border, the 3,142-mile Inter-American Highway is now passable at most seasons from Laredo, Tex., to Panama. **To the north,** you can now cross Canada on **the new Trans-Canada Highway** (except for a 90-mile stretch in the Rockies).

Entering your boy in prep school

Formation of a Secondary Schools Admissions Center should go a long way toward guiding parents who have reached the planning stage (BW—May20 '61,p153). But in deciding on a prep school, say advisers, bear in mind that you're up against an admissions problem comparable to that of the top colleges. In this sense, the leading preps are in the "Ivy" class.

The new center serves as a clearinghouse for admissions problems, but does not advise parents, nor will it recommend a specific school. **It represents about 150 well-rated preps, coast to coast,** and will put you and your youngster in contact with various schools where vacancies exist. Currently, there is a fairly wide range for the 1961-62 academic year.

However, you are advised to register with SSAC by the end of June, if possible. Write to P.O. Box 34, Suffield, Conn. Students who already have taken the Secondary School Admissions Test are charged no fee; those who have not taken the SSAT pay $1.

For general information and detail about several hundred prep schools, you may want to read one or more of the following, all recently revised: **Handbook of Private Schools,** by Porter Sargent (11 Beacon St., Boston, $10.00); **Prep School Guide,** by C.E. Lovejoy (Harper, $4.50); and **Private Independent Schools,** by J.E. Bunting (Wallingford, Conn., $7.50).

Credit card notes

Frequent travelers on business might want to look into insurance coverage for loss of air and rail travel credit cards. By endorsement, you can have such protection added to a "3-D" (dishonesty, disappearance, destruction) business policy. Coverage costs about $12.50 for three years.

Holders of American Express credit cards, incidentally, should check the new regional directories. There have been many recent changes.

Travel department

West Coast businessmen no longer can complain about limited air service to the Southwest and South. Starting June 11, eight new flights to the South and Florida, with Texas stops, are being added by **Delta and National Airlines; Continental Air Lines** will add eight to Texas. Fourteen originate in Los Angeles, one in San Francisco, one in San Diego . . . Meantime, **El Al Israel airlines** begins world's longest nonstop jet service, June 15—New York to Tel Aviv, in 10 hrs. 55 min. (first-class round trip, $1,443, economy $877) . . . A new model **Austin Healey Sprite** sports car is out—4-cyl., 50-hp., 80-in. wheel base, length 11 ft. 4 in., with body features emphasizing safety (slightly under $2,000) . . . A central reservation bureau will handle your bookings at leading hotels in the U.S. and Europe, free of charge **(Hotel Reservation Control Center, Inc.,** 342 Madison Ave., New York 17) . . . Cool vacation: Iceland's tourist officials are talking about a rugged new idea for summer visitors—a five-day, **130-mile trek by horseback,** across mountain terrain, with a one-night hotel stop in Geysir where the swimming pool draws its water from hot springs . . . European **Eurailpass** now includes transportation on buses, steamers, ferries (one month, $110; two $150).

Oil boils up new sales recipes

American Oil and Humble Oil & Refining consolidate brand names to go national

Gasoline stations finally are getting an additive the motorist can see. Spanking new signs (picture) are swinging up over thousands of gasoline pumps the country over—some carrying names still strange to drivers' eyes. To motorists, they are just another bid for business. The oil industry reads another message. The heat is on. The word today is: Sell more. And sell at a profit.

Right now, two giants are the focus of the competitive battle.

The contenders. A few weeks ago, Humble Oil & Refining Co., domestic operating arm of Standard Oil Co. (N. J.), announced that it had settled on a brand name under which to market on a broad scale: Enco, short for The Energy Company (BW—May13'61,p143). Enco replaces the names of Carter, Pate, and Oklahoma, which were merged with Humble and Esso in Jersey Standard's reorganization.

Two weeks later, American Oil Co., the company formed by the merger of the old Standard Oil Co. (Ind.), American Oil Co., and Utah Oil Refining Co. in Indiana Standard's reorganization, threw its hat publicly in the ring. It launched its biggest advertising campaign yet to tell consumers "We are All American." To spice the drama, American marketing vice-president William H. Miller says flatly, "We're out for the No. 1 spot in U. S. marketing."

Both Humble and American are hanging on to a valuable heritage from the old Standard Oil empire. Humble will still use the Esso oval in the former Esso Standard Oil Co. territory. American still uses the Standard name in the former Indiana Standard's area. But none of the offshoots of the old empire can sell under the Standard emblem in another's bailiwick. Now both Humble

Amoco sign yields to a new banner at American Oil service stations. It's a clue to the oil industry's new drive for profitable marketing.

and American are breaking out of their marketing strait jacket with names they can use nationally.

Standard pattern. How long the old names will linger no one knows. Jersey Standard's president, M. J. Rathbone, says the company will never drop the name Esso. But he expects that Humble stations in Esso's territory will be marketing some Enco products in 18 months. (Texas stations will sell Humble.)

Humble and American are following the pattern already set by other offshoots of the defunct Standard Oil organization.

The yen for broader marketing fields is by no means limited to former Standard Oil organizations. Phillips Petroleum Co. recently took a stride farther north, revamped its Phillips 66 shield, spent $17-million to dress its stations in new colors. Continental Oil Co. (Del.) is on the move. There has been talk that it may go into the Northeast. It's dickering for Douglas Oil Co. of California to get into that state. Tenneco Corp., a new company set up early this year by Tennessee Gas Transmission Co., Houston, now markets in 22 states, hopes to be in all 50 within a few years.

I. The reason

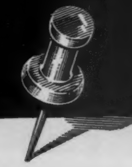
All this activity is just one phase of marketing's growing role in an industry where production and refining held the fort for years. More marketers are getting top jobs. Don H. Miller, president of Skelly Oil Co., was sales manager. All three presidents in the Mobil system were formerly marketers. Sinclair Oil Corp. is streamlining its marketing operation, has redesigned its symbol.

Marketing executives in American, American Petrofina, Inc., and Sun Oil Co., among others, have a say on what their refinery runs shall be. American Oil says the marketing concept prevails clear back to its research laboratories. Every operation focuses on what the consumer wants.

But—and it's a vital but—companies agree on one point. "We won't market for the sake of marketing," says Humble's new marketing vice-president, William W. Bryan. "We won't expand just to be able to sell in all 50 states. We'll sacrifice volume for a profit if we have to."

"If you could imagine a meeting of all the major oil companies where they discussed their problems," an official of one says, "they would be talking about marketing."

The industry is competing in the shadow of more capacity than it can use in normal times. Meanwhile, de-



Business Week 5/6/61

Steel begins to bounce back

A steady climb in production (chart) builds confidence that the second quarter will run 20% or 25% ahead of last quarter. It's a sign of the general turnaround

Steelmakers are rebounding from their ghastly first quarter with a new confidence this week. They expect to make and sell 20% more steel ... —if they're

There's business waiting for the company that goes after it!

This is the time to sell... and sell hard...with business publication advertising

McGraw-Hill PUBLICATIONS

ABC ABP EDITORIAL LEADERSHIP

McGRAW-HILL PUBLISHING COMPANY, INC.
330 WEST 42nd STREET, NEW YORK 36, N. Y.

mand is growing more slowly than in early postwar years. The compact car gets some of the blame. Detroit's propensity for sealing in more working parts so they never need servicing doesn't help. At the heating end of the business, competing fuels are gaining. The National Petroleum News Factbook for 1961, a McGraw-Hill publication, reports that last year only 8% of single, nonfarm housing starts used oil heat; gas was used in 80%, electricity in 10%. In 1950, oil had 33% of the new-house market.

200,000 competitors. A plentiful supply and a less than bouncing demand make for strenuous competition. Over 200,000 service stations are competing for the market. Private branders are able to get supplies at a price, and sell at a price. Regional companies are coming strong. The market place is pocked with sporadic price wars that hurt clear back to the refinery level. Profits are harder to come by.

For the future, says American's president, L. W. Moore, the population explosion will help—but not until later in the decade. So should the new highway program. If old markets are shrinking, new products—notably petrochemicals—are coming to the fore. Overseas activity—American has gone into foreign operations only within the last couple of years—offers a two-way opportunity: new sources of crude, and thirsty new markets for refined products.

Meanwhile, more efficient operation and volume are the twin goals of any organization. Going "national" is one way to achieve them.

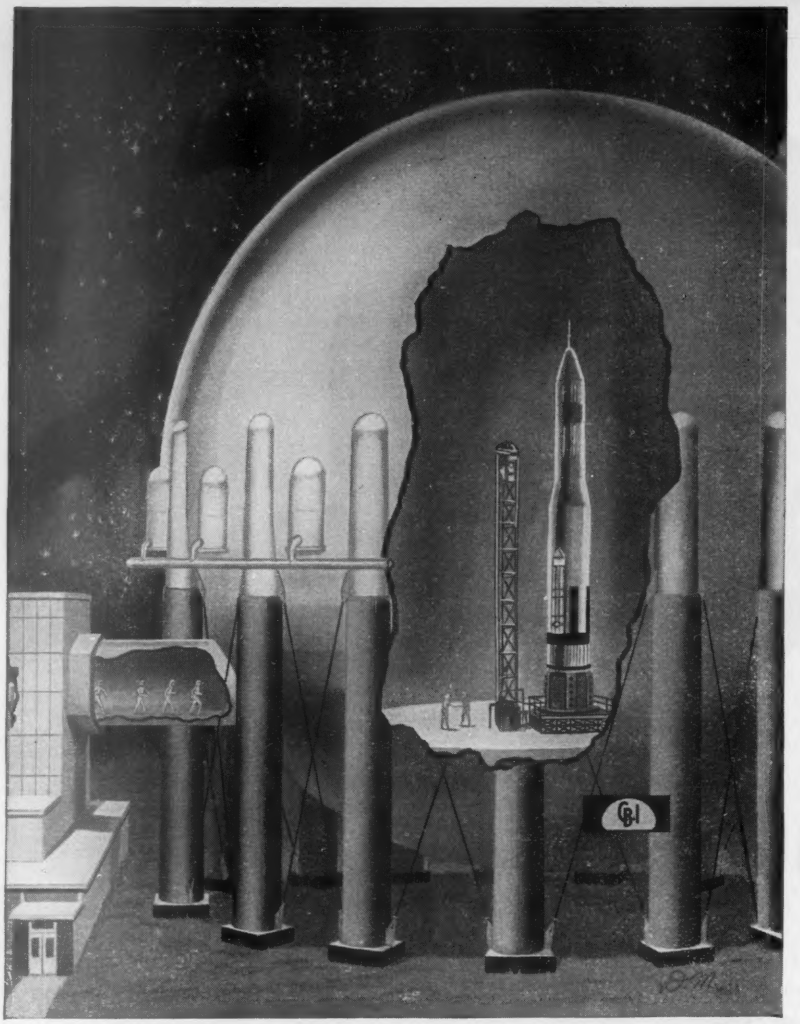
II. How they do it

Clearly, operating economy was a major factor in the decision of both Indiana Standard and Jersey Standard to meld their domestic operations into single units. But there were marketing factors, too.

First, marketing was hamstrung by a name that could be used only in a limited area. Companies could and did get around this by selling outside their own territories under brands that no competing ex-Standard Oil concern could quarrel with.

Confusion compounded. But that brought confusion. How was a motorist from the East to know that he was buying from an Indiana station when he bought Utoco in the West? How could an Esso enthusiast recognize that Carter or Pate were sisters under the skin? How, in short, could you hope to achieve a corporate image, get the strongest impact for your marketing dollar?

Indiana Standard as formerly set



up had three brands: Amoco, the Standards, Utoco. Jersey Standard, with five marketing subsidiaries, was in even worse plight. Says D. W. Ramsey, Jr., director of Humble Oil, "We had a hell of a mess on brands. We had 15 or 16 different brands of gas and oil to promote."

With a Standard-derived name, the companies couldn't advertise that one nationally. If you used radio and TV spots on a fringe station, American's Moore points out, you might be building business for your competitors. "Our dealers didn't like this," Moore says.

The growth of credit cards compounded the confusion. Transient motorists would pick the wrong stations to honor credit cards.

Launching the image. So, you junk your old setup, get yourself a national name and image, and put on the steam. This takes some doing.

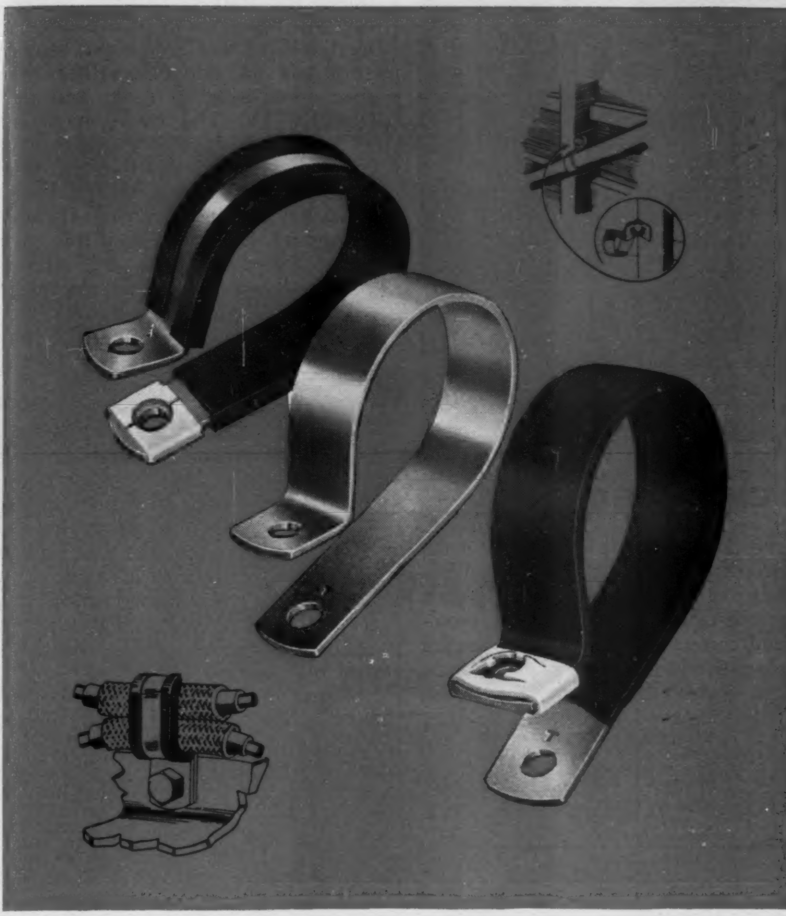
It was a little less than a year ago that Standard of Indiana announced the formation of the new American Oil Co. (BW—Jul.16'60,p97). It had to sell the idea not only to itself and its subsidiaries, but to its dealers and jobbers. Miller and Moore personally put in a rugged couple of months early this year going to the field—to dealer meetings and jobber meetings—to tell their story. Mostly—as was the case with Humble—response was enthusiastic. The smaller operating companies and the dealers quickly grasped the value of a nationally advertised brand.

Starting May 23, the consumer is getting the story. That was when the company began a two-month advertising drive in big consumer magazines.

Humble's move. Humble has moved more slowly. It was a good year and a half ago that Jersey first announced the merger of its various U. S. affiliates under the Humble name. "We had a tougher problem than American," says Humble's Bryan. "We had more subsidiaries. We had nine presidents, nine boards. We couldn't sell Esso nationally. Humble is a well known name in Texas and the South, but not nationally. American had a name made to order. We had to come up with one." Public acceptance of the name Enco has come faster, though, than the company had expected.

National image. Advertising, of course, is an obvious way to build a nationwide image. American's opening newspaper ads focused on the American dealer—a glowing giant stepping across the continent. Humble hammers at the energy theme with a huge panorama of Niagara Falls.

Ad budgets up. Neither company



A T-Marked SPEED NUT Brand Fastener...

SPEED CLAMPS® go on fast, trim weight and parts handling

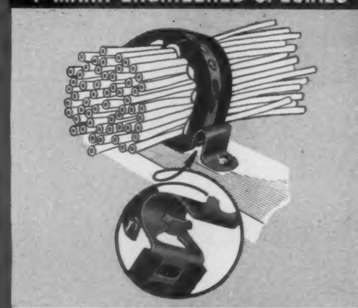
Attachment of tubing is fast and simple with vibration-proof Tinnerman SPEED CLAMPS. They are available in a wide range of sizes and types, with or without attached SPEED NUTS or neoprene flame-resistant cushions. They make firm, secure attachments and allow substantial savings in weight, assembly time and costs.

The complete line of Tinnerman SPEED CLAMPS includes hose clamps, tube clamps, harness clamps, and an assortment of special types to meet various requirements.

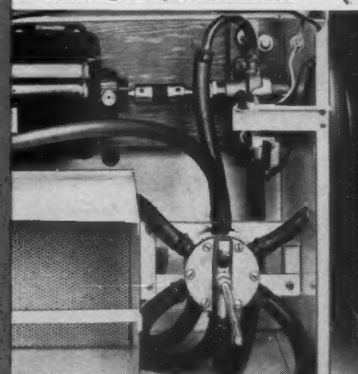
When buying clamps or spring-steel fasteners, look for the T-mark...your assurance that you're putting Tinnerman quality and total reliability into your products. For samples, literature, prices call your local Tinnerman Sales Office . . . listed in the "Yellow Pages" under "Fasteners." Or write to: *Tinnerman Products, Inc., Department 12, Box 6688, Cleveland 1, Ohio.*

TINNERMAN
Speed Nuts®
Look for the Tinnerman "T"

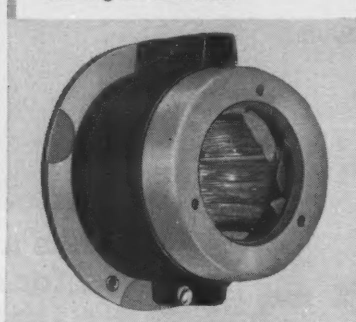
T-MARK ENGINEERED SPECIALS



TIME SAVING was the benefit when this Tinnerman Harness Clamp was used to fasten wire bundles to an aircraft structure. Inset shows safe, interlocking tongue and slot that can't spring open accidentally, yet opens readily for servicing without removing clamp from bulkhead.



ASSEMBLY SIMPLIFICATION resulted from a switch to Tinnerman Hose Clamps in this oil changer. One-piece SPEED CLAMPS are easy to apply, quickly secured with standard pliers. Savings in time and labor are substantial, excessive weight and parts handling are eliminated.



GREATER RELIABILITY is attained by television manufacturers with Tinnerman Deflection Yoke Clamps. They eliminate the problem of misalignment and broken connections resulting from rough handling, cushion the tube assembly under live spring tension.

CANADA: Dominion Fasteners Ltd., Hamilton, Ontario. GREAT BRITAIN: Simmonds Aerocessories Ltd., Treforest, Wales. FRANCE: Simmonds S.A., 3 rue Salomon de Rothschild, Suresnes (Seine). GERMANY: Mecano Simmonds GMBH, Heidelberg.

thinks the shift to national marketing will bring much of a change in media. What it will do is put heavier emphasis on network rather than spot advertising in radio and particularly TV. The trade magazine, Television, in fact, is already gloating over new revenues that the trend to national marketing should bring.

To get its message over, Humble is upping its ad budget this year from \$20-million to \$23-million. Eventually, though, it figures it will save some \$6-million a year by using national media. American isn't telling its dollar ad outlays, except that it is "multi-million," the biggest ever.

Service colors. The service station is anotl.er point—and a key one—to build up a corporate image. In fact, Bryan says, the service station is the oil industry's package, and a costly one at that. But it is the station the consumer is buying, not that unseen product slipping into his tank.

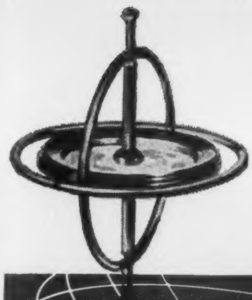
American has splashed untold gallons of paint to make all its stations conform to the company's red, white, and blue colors.

More important, it has worked hard to sell a uniform idea of service among its dealers. Standard of Indiana has long been proud of its stress on service as a sales lure at the retail level. The old Amoco was more heavily oriented to product, primarily because it had a unique one in its unleaded gasoline.

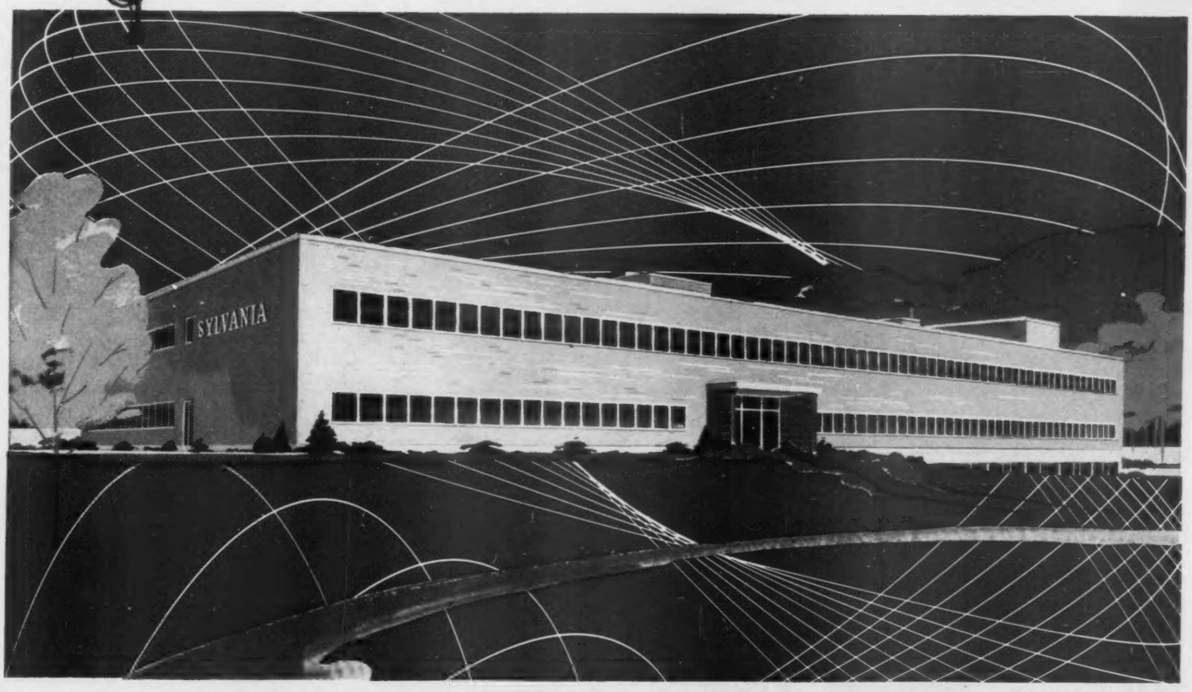
American is setting up extensive dealer training courses in the East and South, where it has never had them. And it is extending as fast as it can another big service lure, its As You Travel, Ask Us program. This is an information service, at the service station, where dealers have available all sorts of local information a traveler might need. To sport the Ask Us sign, though, a dealer must have special training.

Humble, too, has its colors, and they, too, are red, white, and blue. "But you can't possibly achieve uniformity," says Bryan, not when you have some 30,000 dealers across the country. What you do hope for is ready identification—the Humble block letters on every station, the Happy Motoring slogan, standards of cleanliness, pleasant service, and credit card acceptance.

Distribution snags. Merging also takes a bit of flexibility on some important distribution matters. Neither company thinks its channels have been upset by the unification. American did have a problem, though. The old American company sold through jobbers more extensively than did the old Indiana organization—Indiana had about 100 jobbers to American's 400. Word got



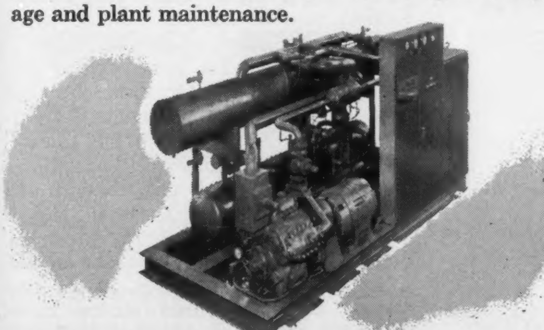
New! Year 'Round Air Conditioner Needs No Chimneys, Boilers or Fuel!



Sylvania Laboratory uses a York Heat Pump to provide all-weather air conditioning for this 85,000 sq. ft. 2½ story research and testing facility at Amherst, New York. System delivers 250 tons cooling and 2400 MBH heating to York perimeter fan-coil units.

YORK HEAT PUMP with Balanced Cooling and Heating uses only outside air and electricity!

Clean! York Heat Pump maintains a perfect balance of temperature, humidity and air cleanliness the year 'round. All-electric unit eliminates smoke and soot of conventional heating system, minimizes product spoilage and plant maintenance.



Completely Automatic! System changes from summer to winter operation and back again automatically, and, can deliver balanced cooling and heating simultaneously when required. Versatile unit even utilizes waste heat from production, reducing heating bills as much as 67%.

Economical! No supplementary heating! Exclusive compound compressor design makes York Heat Pump practical even in the coldest climates. No boilers or chimneys to maintain, no space-wasting fuel storage or water treatment, and no boiler insurance. Write for full information on York Heat Pumps and what they can do for your plant or building!

YORK® CORPORATION
Subsidiary of Borg-Warner Corp.
YORK, PENNSYLVANIA

Air Conditioning, Heating, Refrigeration and Ice Equipment • Products for Home, Commercial and Industrial Installations

around that the merger was going to spell trouble for American jobbers. Miller hustled around the country to scotch that one. "There is no company policy on how we distribute," he says. "It depends on the individual situation."

Branded outlets. Another question was selling product to unbranded outlets—a practice that seems to be on the rise. The then Esso Standard Oil Co. decided some years ago to sell no gasoline through unbranded channels, though it does sell heating oil. Similarly, Indiana Standard sold only to branded outlets.

American, though, had two important private brand customers—and it still has them. Jersey's Carter Oil and the old Humble company, with plently of supplies for a relatively small or sparsely settled market, sold to independents. This won't change. "That is not policy, that is just practice," says Bryan. "Different areas call for different tactics."

Uniformity. Another point where uniformity went by the board is on product. Unleaded Amoco gasoline had a strong following, especially among sports car enthusiasts. But making it requires special techniques, and to convert Indiana's big refineries to the process would entail a huge cost. American's solution: Keep the name Amoco, and sell it only where it has been sold.

Humble's third grade, Golden Esso Extra, posed a somewhat similar problem. This, its top grade, isn't available in the Western areas—and motorists sometimes grouse when they can't find it. Actually, there's less need in mountain altitudes for the Golden, but this can be a hard point to put over.

Dealer volume. Both companies agree that a profitable dealer must sell more than gasoline and related products. "A good dealer makes from 35% to 50% of his profit out of accessories," Miller says. American has gone for uniformity in this area, too. Its stations will all carry the Atlas brand, as does Humble.

The search for more dealer volume and profit led to American Oil's much-discussed "Vincennes experiment" (BW—Oct.24'59,p120). In Fairfield, Iowa, Indiana Standard replaced three small stations with one "superstation." In Mattoon, Ill., it replaced five with two. In Vincennes, Ind., one big station took on the job of eight small ones. In the first year, the Vincennes station came within a hair of equaling the combined sales of the eight. In the other two communities, the few stations topped sales of those displaced.

"If we had the capital, I'd expand this setup to every metropolitan

area," Miller says, and the company is planning to try it out in a much larger community.

Bryan has some questions about the Vincennes approach. Big stations in good locations would have pulled in new business anyway, he argues. Miller concedes that the cutback in Vincennes was too sharp; the station lost neighborhood business, made its gains in transients. The company is reinstating two stations there to recapture what it lost.

It might seem that a coast-to-coast operation does, in fact, count more heavily on the transient than the neighborhood market. Both Bryan and Miller say this is not the case. The neighborhood is still the key. To get the transient, you first have to capture him at home, Miller says. Where national marketing scores in the neighborhood, adds Bryan, is in this: both motorist and dealer react to the prestige of a coast-to-coast program and national advertising.

Growing pains. Many questions remain unanswered: What form of retail structure will eventually come out of a nationwide business, for one. Going national brings growing pains —dislocation of management personnel, huge outlays, re-education from management to the consumer. It takes a nice balance between flexibility and conformity. But it has two major pluses: greater economy of operation, greater marketing impact.

"The merger was the best thing that ever happened to us," says Bryan. Miller's reaction is implicit in his challenge: "We'll be No. 1."

Ad industry woos its critics

Campaign aims at the influential minority of people that seem to view advertising most dimly. Efforts at self-improvement will be stressed

Within a few weeks, interviewers from Group Attitudes Corp., a subsidiary of the Hill & Knowlton public relations firm, will be in the field talking at length with a broad sample of educators, government officials, theologians, economists, and writers. They'll be armed with:

- A set of questions "to find out the real or underlying causes of outspoken criticism" of advertising that the industry fears is growing to damaging proportions.
- A pilot copy of a new bi-monthly publication called Advertising Today.

All this is a first step in the American Assn. of Advertising Agencies' ambitious campaign to reach what the industry thinks is at the heart of much of advertising's criticism today: a disenchanted minority of highly articulate "opinion trend-leaders," as Hill & Knowlton describes them.

Time and again, surveys by the advertising industry have comfortingly proven that a large majority of the general public is positively in favor of advertising or at least has only mixed feelings about its role in the economy. In a 1960 survey, for instance, only 17% of the public was generally unfavorable to advertising, against 55% that thought it was fine.

Even so, the industry, and particularly the advertising agency people, are acutely aware of increasing attacks by those who have the knack and the forum to get public attention. As Frederic R. Gamble, president of the 4-A's, put it: "All too often, in the public imagination, advertising agencies remain the barkers, the hucksters of hyperbole, who neither toil nor spin, but by vast spending win public acceptance of products and rake in the profits by the millions."

Self-criticism. Often advertising people themselves are their own worst critics. When Rosser Reeves, chairman of the board of Ted Bates & Co., Inc., an agency that accounts for much of the packaged goods advertising on television today, published his book Reality in Advertising (Alfred A. Knopf, $3.95), it was the advertising people who made it a fast seller. At the same time, many found in it much to deplore. The trade liked his frank statement that advertising is purely and simply an instrument to sell goods. But it was less happy over his praise of commercials that diagrammatically portray throbbing headaches or ask: "Do you have tired blood?"

It is just this kind of advertising, made so obtrusive by television in the living room, that many advertising people think has helped increase the objections of a vocal minority among what they loosely term intellectuals.

Up to now, one of the chief complaints among advertising people themselves is that any defense of the industry's practices has been largely expressed to others in the same business. Hill & Knowlton, in its report to the 4-A's annual meeting earlier this year, pointed out that "of 55 speeches by advertising people which we noted in the trade or public press in November and December, 1960, only four were made before audiences not related closely to advertising or marketing."

The public relations campaign now getting under way is designed to change that. In its proposal to the 4-A's, Hill & Knowlton laid out a program designed to reach those people who it thinks strongly influence public opinion—educators, businessmen, writers, clergymen, government careerists. Such people have an influential, if not decisive, voice in formulating public policy and legislation, always a sensitive area in the minds of advertising leaders.

Selling role. A preliminary survey of this group showed that, for the most part, its members accept in varying degrees that advertising is important to the economy in its function of selling goods. Only one of the college economists interviewed attacked the economic role of advertising.

But many in each category were sharply critical of advertising on sociological grounds. Even among businessmen, one out of three was critical of some advertising on grounds of ethics and taste.

Television advertising in particular came in for severe criticism. "Obnoxious junk," one businessman called the "jingle-gimmick-type advertising."

The upshot of all this was Hill & Knowlton's recommendation that advertising present its case as favorably

First from General Electric (1959)... another bright idea that became a better lamp for you... Quartzline lamp

packs more light in less space than any other filament lamp

Listen to the nearsighted Mister Magoo . . . "1959? Seems like last week! I volunteered but the authorities picked seven other Astronauts—and General Electric invented the Quartzline lamp. Happy birthday, Quartzline. Tarnation! This confounded pen won't write!"

Understandable mistake, Mister Magoo. The 5-inch, 500-watt Quartzline *is* no bigger than a pen. But it's 19% more efficient than a regular lamp, never grows dim, and gives you better light control than any earlier lamp.

Every Quartzline lamp stays almost 100% bright throughout its life—because General Electric engineering leadership found a way to keep tungsten vapor from blackening the glass. G.E. puts iodine gas in the lamp to catch the particles evaporating from the tungsten filament. Miraculously, the iodine re-deposits them, over and over again, on the steadily-bright filament. This process makes the 5-inch Quartzline last 2000 hours, twice as long as a regular bulb-shaped lamp.

Use Quartzline with the right reflector, and it'll give you a precise, powerful, rectangular beam of light in one direction—as narrow as 6° or as wide as 100°. No elaborate lens system is needed.

Or take the big-brother model, the 10-inch, 1500-watt Quartzline. It's *50% more efficient* throughout its life than a standard 1500-watter of comparable voltage.

Applications? Stadiums. Airport runways. Building facades. Show windows. Inspection or outdoor work areas. Don't worry about rain and snow. Quartzline resists thermal shock.

Ask your G-E distributor for more information on Quartzline lamps—small proof of General Electric lighting leadership! General Electric Co., Large Lamp Dept. C-110, Nela Park, Cleveland 12, Ohio.

Progress Is Our Most Important Product

GENERAL ELECTRIC

as possible to this influential sector of the population.

The bigger research study now getting under way will attempt to come up with guides for addressing the public relations campaign to the vital causes of the criticism aimed at advertising.

After that, Hill & Knowlton plans a series of two-day conferences at some 10 universities around the country, inviting heads of departments in surrounding schools to attend. Agency executives would be on hand with a prepared program to explain advertising's position. Particularly galling to agency people is the realization that few people, even among the highly educated, know about any of the efforts by the industry to correct abuses.

Magazine. Besides the seminars, the 4-A's plans to go ahead with the publication of Advertising Today, a digest-size magazine with a limited circulation to clergymen, educators, key businessmen, writers, and editors. The pilot issue carries articles on the economics of advertising, ethics, and the Advertising Council, the industry's public service arm that sponsors such campaigns as forest fire prevention.

The 4-A's turned down the suggestion for a national conference on advertising to bring together leaders outside the industry. But the public relations program will provide for contacts with editors of intellectual journals; make reference material available to libraries; acquaint the writers of textbooks with advertising's role.

Is all this a giant whitewash campaign?

The 4-A's Frederic Gamble and Hill & Knowlton insist that it isn't. Hill & Knowlton has suggested that a special 4-A's committee be named to make sure advertising itself does all it can "to upgrade the product and the performance." Gamble says: "You'll never make advertising perfect. It is the voice of sellers and not until all sellers are perfect can you expect that." He adds that to the extent there are imperfections, they have to be explained—"if that is a whitewash."

Not everybody in 4-A's is convinced, however, that the public relations program is the answer. Arthur E. Tatham of Tatham-Laird, Inc., thinks the approach may be too superficial. He also believes the problem goes beyond the opinion-leader group. "We ought to be willing to show up the shysters," he says. His idea is to find out the causes of public discontent, do what is needed to eliminate them, and then publicize the action. **End**

Minding our own business

BACKSTAGE AT BUSINESS WEEK

Management Man No. 1. The Detroit Public Library phoned our office there, the other day, and asked for copies of Business Week to display in a group of publications in its 30 branches. Seems they wanted to show the folks what President Kennedy reads. The idea was

prompted by an article in *Life* listing the publications the President insists on seeing regularly. Naturally, we are pleased to include the Nation's No. 1 Management Man among our regular readers. He does, after all, have to manage the world's biggest business.

Neither snow nor rain. Another of our insistent readers heads up a business that's *almost* the world's biggest. He's so accustomed to reading Business Week first thing Friday morning that, if it doesn't show up in the early mail, he phones us, and we have to rush a copy by messenger. Now, how many

magazines do you suppose *that* happens to? Well, how many have so much urgent information for the management man?

BW BUSINESS WEEK

MPA Magazine Publishers Association

ABC Audit Bureau of Circulations

Index of advertisers June 10, 1961

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London W. 1: Edward E. Schirmer, 34 Dover St.

Frankfurt: Stanley Kimes, 85, Westendstrasse, Frankfurt-M, Germany

Geneva: M. R. Zeynel, 2, Place du Port, Geneva, Switzerland

Tokyo: International Media Representatives, Ltd., Kishi Kurabu 14 Marunouchi, 2-Chome

A fresh start in foreign policy

Pres. Kennedy has carried off his first venture in summit diplomacy in commendable fashion. He now is in a position to make a fresh start in handling this nation's foreign policy and in building the defenses of the free world.

In his encounter with Premier Khrushchev at Vienna, the President avoided the pitfall of seeking agreement where none is possible (page 25). He limited himself instead to probing the issues that divide Communism and the West. From this experience, and from his consultations with Pres. de Gaulle and Prime Minister Macmillan, he undoubtedly has gained a better understanding of the international problems besetting him.

By reopening all the diplomatic channels between Washington and Moscow, Kennedy also may have reduced the danger of war by miscalculation. With issues as dangerous as Berlin dividing East and West, there is obvious merit in diplomatic talk.

It would be a mistake, however, to take very much comfort from these facts. There is something almost ominous in the favorable comments Soviet spokesmen have been making this week about Vienna. They suggest that the relaxation of tension that has resulted from the meeting fits in very nicely with Soviet plans.

Such a lull, assuming it is Khrushchev's aim, need not prove entirely to his advantage, of course. There is much that Kennedy could do in the next few months to strengthen this nation's defenses and its relations with the other members of NATO. The President now has discussed these problems with de Gaulle and Macmillan and should waste no time in dealing with them.

There is also an urgent need for a complete review of our position in the world—of our assets and liabilities, whether they be military, political, or economic. Clearly, the U.S. no longer is the colossus of the world as it was a decade ago, capable of defending every point on the periphery of the Communist world and of supplying economic aid on a universal basis. Our foreign policy must take account of this change if we are not to squander our resources and welch on our commitments.

It is equally important for the President to correct the organizational weakness in our procedures for making foreign policy decisions. Upon taking office, Kennedy scrapped the Eisenhower organization, including the Operations Coordinating Board. But even today he has not found any substitute except the "personalized" procedures that had so much to do with the Cuban fiasco.

If the President has begun to find his feet in foreign affairs, as seems to be the case, he will address himself to these problems. By his performance in Paris, Vienna, and London he has gained the opportunity for a new start—but no more than that.

The split over taxes

It doesn't take a Gallup poll to sense that businessmen are showing increasing coolness toward the Kennedy Administration—particularly on domestic affairs. And Washington's reaction is in much the same vein.

The growing rift is evident, for example, in the dispute over taxes (page 30). Asst. Treasury Secy. Stanley S. Surrey has expressed himself as puzzled and disappointed that businessmen are plainly against his plan to stimulate new capital spending. Surrey is not alone in his bewilderment; a good many economists—in government and out—feel that businessmen are failing to recognize a good deal when it is handed to them.

On the surface, the attitude of the business community does seem paradoxical. To foster economic growth the Administration is offering tax credits to encourage greater investment. In theory, businessmen should jump for joy at the prospect.

But Washington is making a mistake in thinking that the business reaction comes from stupidity and suspiciousness. True, some businessmen have overstated their case, arguing that there is something morally wrong about using taxes to influence business, and forgetting that a great many decisions are already dictated by the tax structure.

A majority of businessmen, though, have good reasons for their reserve. They look on the tax credit as inequitable—it will be of benefit to some companies, mainly new ones and those that plan to spend anyway, but is of no use to many others. They also see it as a complex gimmick, and they are unwilling to make long-range plans that may have to be discarded if the gimmick is taken away.

Businessmen are not against growth—or tax relief. But in their appraisal of the Administration's proposal they think it makes sense to forgo a bird in the hand if they can get a simple and equitable program of tax reform in the future. This is a perfectly rational position and one that the Administration should not dismiss lightly.

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